

PROCEEDINGS
OF THE
Twenty-Sixth Annual Meeting
OF THE
Fire Underwriters' Association
OF THE PACIFIC



San Francisco, Cal., February 20-21, 1902

Printed by order of the Association.

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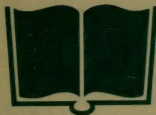
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Fire underwriters'
association of the
Pacific Proceedings.
1902-1905.

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Fire Underwriters' Association

Of the Pacific

OFFICERS FOR 1901:

PRESIDENT, - - - - -	GEORGE W. DORNIN
VICE-PRESIDENT, - - - - -	W. H. GIBBONS
SECRETARY AND TREASURER, - - - - -	CALVERT MEADE

EXECUTIVE COMMITTEE

ROLLA V. WATT	FRANK J. DEVLIN, - - Chairman	WILLIAM SEXTON
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LIBRARY COMMITTEE

CHARLES B. HILL	J. L. FULLER, - - Chairman	P. F. GILROY
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ELECTION COMMITTEE

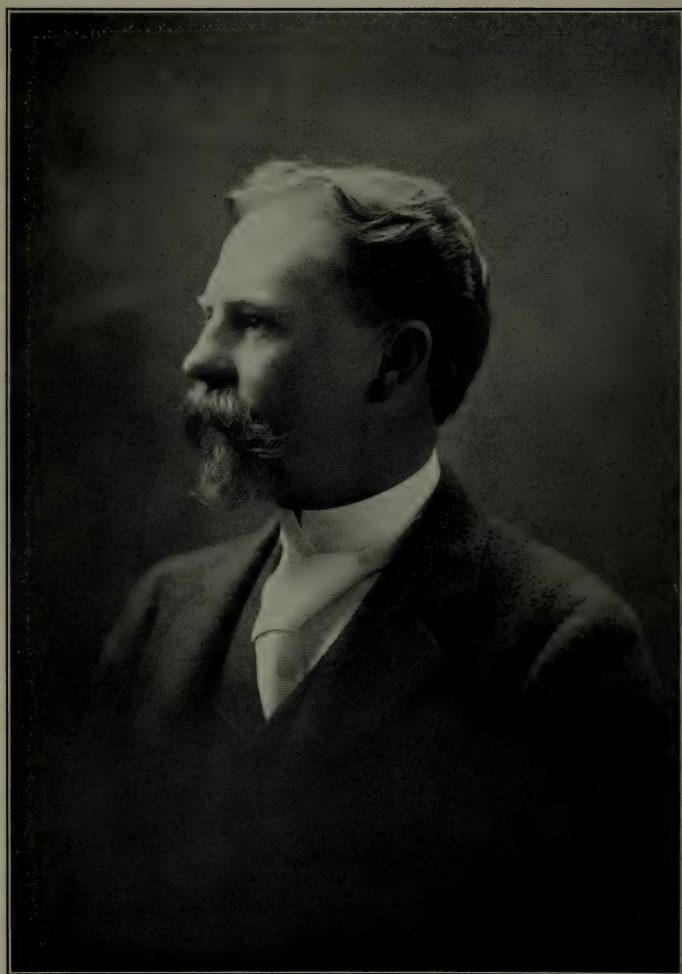
W. H. LOWDEN, Chairman	L. B. EDWARDS	WHITNEY PALACHE
JAMES D. BAILEY	GEORGE F. GRANT	T. EDWARD POPE
FRANKLIN BANGS	F. B. KELLAM	W. P. THOMAS
CESAR BERTHEAU	C. MASON KINNE	GEORGE H. TYSON
GEORGE D. DORNIN	D. E. MILES	LOUIS WEINMANN

DINNER COMMITTEE

GEORGE W. SPENCER	GEORGE F. GRANT
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CALIFORNIA KNAPSACK

GEORGE F. GRANT, - - -	Editor.
EDWARD NILES, - - -	Associate Editor



GEORGE W. DORNIN.

FIRE UNDERWRITERS' ASSOCIATION

OF THE PACIFIC.

FIRST DAY.

San Francisco, Cal., February 20, 1902.

Upon roll call the following members and guests were present at the Annual Meeting of February 20 and 21, 1902:

Aaron, C. F.	Echlin, Chas. C.
Bacon, E. H.	Fabj, R. P.
Ball, Walter J.	Farnsworth, E. P.
Bates, Lesley	Faymonville, B.
Benner, Harry	Fennel, H.T.
Blanchard, H. P.	Fogarty, John T.
Brown, Arthur W.	Folger, Herbert
Brush, R. G.	Fores, H. W.
Chipman, W. F.	Frank, Wm.
Conroy, T. J.	French, J. S.
Cornish, Herbert L.	Fuller, J. L.
Codding, Geo. C.	Gabrielson, C. D.
Cosgrove, John E.	Gerould, P. E.
Crowell, H. W.	Gibbons, W. H.
Cunningham, James C.	Giesy, A. W.
Deering, Chester	Gilliland, Adam
DeLappe, R.	Goggin, G. E.
Delafield, R. H.	Grant, George F.
Devlin, F. J.	Grim, A. R.
Dibbern, J. H.	Gunnison, A. R.
Dick, B. C.	Gutte, I.
Dornin, Geo. D.	Hoagland, W. W.
Dornin, Geo. W.	Holmes, John M.

Dornin, John C.	Overton, G. E.
DuVal, W. S.	Palache, Whitney
Dutton, Grayson	Porter, F. H.
Hill, Chas. B.	Robins, F. C. H.
Hill, Chas. S.	Roberts, Tom R.
Hughes, E. O.	Rodgers, H. C.
Jackson, W. A.	Schiveley, J. H.
Kellam, F. B.	Scott, C. O.
Kinne, C. Mason	Sexton, Wm.
Knight, L. W.	Shankland, T. C.
Lockey, Richard	Smith, H. Brownson
Lowden, W. H.	Spears, J. V.
Luke, H. L.	Spencer, D. A.
Morford, Seth H.	Speyer, Walter M.
Manning, F. J. H.	Staniford, F. C.
Manning, Wm.	Tiedeman, T. J. A.
Meade, Calvert	Thompson, Chas. R.
Medcraft, R. C.	Trathen, A. H.
Mel, Louis	Vint, James H.
Mendell, J. M.	Von Etlinger, A. T.
Mendell, Jr., G. H.	Watt, Rolla V.
Merrill, M. H.	Waters, J. N.
Mohrhardt, E. F.	Webber, J. F. R.
Mott, Ernest J.	Weinmann, Louis
Neal, R. W.	Wellington, Geo. J.
Nichols, Hon. S. H.	Whelan, Weldon D.
O'Brien, N. F.	Wilson, Walter J.
Osborn, R. W.	Wilson, D. B.

The President—Gentlemen of the Association: It gives me great pleasure to call to order the Twenty-sixth Annual Meeting of the Fire Underwriters' Association of the Pacific. There being no minutes to read we will proceed at once to the business of the meeting. First in order will be the reading of the report of the Secretary and Treasurer, Mr. Calvert Meade.

SECRETARY AND TREASURER'S REPORT.

The following is my report as Secretary and Treasurer for the year ending February 21, 1902.

LIST OF PUBLICATIONS OWNED BY ASSOCIATION.

A Celebrated Case	H. M. Grant	73
Book Losses	Lowden & Sexton	490
Constitution and By-Laws	Association	15
Hops as a Fire Hazard	E. L. Thompson	80
Large Fires in American Cities	Herbert Folger	4
Proper Vice	B. Faymonville	58
Statistics of Fire Underwriting on Pacific Coast	W. H. Lowden	130
Growth of Tariff Associations	Herbert Folger	3
Underwriters' Clerks	Edward Niles	2
Waiver and Estoppel	Peter Winne	68
Knapsack	Association	322

ACTIVE MEMBERS.

Active members February 6, 1901	210	
Elected during the year	12	
Transferred from honorary membership	1	223
Resigned	2	
Died	1	
Dropped for non-payment of dues	2	
Transferred to honorary membership	1	6
Total active members February 21, 1902		<u>217</u>

HONORARY MEMBERS.

Honorary members February 6, 1901	32	
Elected during the year	1	33
Transferred to active membership	1	
Dropped address unknown	2	3
Total honorary members February 21, 1902		<u>30</u>
Total active members February 21, 1902		217
Total honorary members February 21, 1902		<u>30</u>
Total membership February 21, 1902		<u>247</u>

SECRETARY AND TREASURER'S REPORT

FINANCIAL STATEMENT.

RECEIPTS.

Balance in Banks February 6, 1901		\$1,300 86
Received Annual dues	\$1,050 00	
" " Proceedings	60 25	
" initiation fees	45 00	
" F. U. A. P. Badges	8 00	
" Knapsacks	1 00	
" Library literature	25	
" Interest	24 42	1,188 92
		<hr/>
		\$2,489 78

DISBURSEMENTS.

Paid Typewriting	\$ 6 00	
" Stenographic Report	76 00	
" Rent of chairs	7 50	
" Annual dinner deficit	64 70	
" Security bond of Secretary	17 00	
" Badges	8 75	
" Postage, express, telephone and delivery	57 91	
" Printing and binding annual proceedings	437 05	
" Menu, programs and cards	55 75	
" Letter heads and envelopes	14 75	
" Hine's Law Journal	3 00	
" New books	12 50	
" Renovation of Library	32 15	
" Floral piece	10 00	
" Engrossing memorial	10 00	
" Taxes 1901-1902	3 25	
" Maps	2 75	
" Printing and stationery	14 75	
" Insurance on library	5 20	
" Secretary's salary	150 00	989 01
		<hr/>
		\$1,500 77

Cash on hand:

On deposit with Bank of California	\$786 06
On deposit with S. F. Savings Union	714 71

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\$1,500 77	\$1,500 77
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PRICES FIXED BY EXECUTIVE COMMITTEE FOR PUBLICATIONS.

Annual Proceedings—10 or less on hand, \$1.00 each and postage 10 cents.							
"	"	Between 10 and 50	.75	"	"	"	10
"	"	Over 50 . . . . .	.50	"	"	"	10
Knapsack			1.00	"	"	"	15
Book losses . . . . .			.25	"			
Other publications . . . . .			.10	"			
Fire Underwriters' badge			2.00	"			

ANNUAL PROCEEDINGS ON HAND.

Annual Proceedings for 1877-78	47
" " 1879-80	6
" " 1881	37
" " 1882	13
" " 1883-87	0
" " 1888	48
" " 1889	0
" " 1890	1
" " 1891	0
" " 1892	46
" " 1893	102
" " 1894	14
" " 1895	64
" " 1896	144
" " 1897	103
" " 1898	173
" " 1899	170
" " 1900	14
" " 1901	97

Four Fire Badges on hand.

The President—Gentlemen, you have heard the report of the Secretary and Treasurer. What is your pleasure?

Mr. George F. Grant—I move that it be received and placed on file.

The motion was duly seconded and unanimously prevailed.

The President—Is the Executive Committee ready to report?

Mr. Devlin—As Chairman of that committee, Mr. President, I beg to state that the committee is not quite ready to report, and would ask that it be permitted until tomorrow morning to finally prepare its report, if there is no objection.

The President—Hearing no objection, the matter will go over until tomorrow morning. I have been informed by members of the Library Committee that they desire to have the rendition of their report deferred until a later time, possibly this afternoon. And so we will pass that temporarily. Next in order is the President's Address. I desire to say, gentlemen, that I shall not inflict you with any very long address. We have in fact held but one meeting during the year passed, and that was to pay our tribute of respect to a deceased member, so there has been very little material to work upon in that respect.

PRESIDENT'S ADDRESS.

GEO. W. DORNIN.

It seems to be the unwritten law of our Association that the retiring president shall review the work of the Association and incidentally the condition of the insurance business during the year of his incumbency, that as far as possible we may gather wisdom from the review and look for betterment of ourselves and of our profession in the year to follow, and to that extent fulfil the mission of our being as an association.

I must necessarily leave it to the very able writers who have kindly consented to prepare papers, technical, literary and humorous, and whose names and topics are before you, to complete the program, asking you to kindly recognize my own limitations and permit me to content myself with a few practical suggestions growing out of the history, practices and results of fire underwriting in 1901, in the territory under our jurisdiction.

Those of us who have taken an earnest interest in the work of the Association, have felt an embarrassment in that more frequent meetings of the Association are not held, but the plan of monthly and even quarterly meetings has failed, not, I think, through lack of interest, but largely because our members are necessarily widely separated and busy in their respective fields of labor as adjusters or special agents.

We must therefore be content with these annual reunions, where we meet to gather wisdom from the experiences of our associates, and, what is of no less importance, renew and promote social good-fellowship at the banquet table.

DUE CREDIT.

It is pleasant to realize that the labors of those who, during the past twenty-five years, have prepared most able technical papers on underwriting, or enlivened our meeting with humorous papers, replete with wisdom and full of suggestions of sound practices underlying the humor, have not been in vain. Many of those papers have already become established as text-books in actual practice, and I feel free to say that much of the success in practical underwriting on the Coast is due to those papers and to the counsels of our older brethren in this Association as expressed therein.

We commend the action of the Association in having inaugurated a plan for compiling, in one volume, all papers bearing on losses and loss adjustments, thus enhancing their value by rendering them easier of reference, and while we regret to learn from the Committee that, up to this time, little progress has been made along the line suggested, yet we are not without hope that before another year rolls by, the completed work may be placed in our hands.

The history of underwriting in America in 1901, you must admit, is not altogether pleasant reading. There are, however, a few bright spots in the field, and it is gratifying to us, in a selfish way, that the Pacific Coast shows relatively well. It is only fair, however, to remember that the comparatively low loss ratio to premiums received is due to a marked increase of premiums. It should also be borne in mind that 1901 was the triennial anniversary of renewal of term business put out of the market during the early months of the now historic '95, the first year of our rate war in California.

What the ratio of loss will be in 1902 on the liability taken on in 1901, but for which the current year will show no premiums, is yet to be determined.

The past year has been marked by the retiracy of many companies, by withdrawals, in part or in whole, from American territory—notably of German and English companies—by the amalgamation of companies, and by the consolidation of independent agencies under single management.

The absolute withdrawal of companies seems to have been due to the continuously heavy losses, and to the difficulty, from the point of

view of the foreign manager, of adjusting rates to the changing conditions, and notably to the necessity of keeping their surplus unimpaired, the latter necessarily being affected by the increase or diminution of premium receipts and by the necessity, under the laws of the various States, of setting aside a certain proportion of the receipts as a reserve fund.

While we of the Coast have every reason to rejoice that the year has given handsome profits to our companies, yet we cannot avoid the necessity of a careful analysis as to the causes of the very favorable results as compared with other sections of the Union.

CALIFORNIA AND COAST FIGURES.

The valuable compilation of figures as made up by our insurance journals shows that the gain in premiums was principally on business written in California, due largely to the renewal of term business already referred to, and in part to a large volume of new property values on the market.

The proportion of California business to the whole Coast business, was \$7,669,882 to \$14,995,504 and of the California business, San Francisco contributed \$2,465,223, or more than 32 per cent. The very flattering loss ratio in San Francisco, and the equally satisfactory ratio on State business, outside of San Francisco in a field that, for twenty years past has shown no profit cannot be without effect upon the future of our business. Companies and managements would be less than human if, with this record, a greater stimulus were not incited.

The field is inviting, and notwithstanding the past withdrawals of many companies, I fear the number will be made more than good by new adventurers, lured by the record of 1901. With these will come pressure for reduced rates and more liberal forms, and the pendulum will swing again to the extreme of increased expenses, heavy loss ratio and small, if any, profits.

As an association made up largely of practical field men, how can the situation be affected by us? Will it not be wise to make a close analysis of the causes of profit or loss in our respective fields, and thus become safe and efficient advisers to those who entrust the fortunes of their business to our hands?

"DETERIORATION OF THE SPECIAL."

An article in a recent number of the Coast Review suggests a possible deterioration of the special agent, and it will not be surprising if the

strong criticism in that paper provokes formal replies. We are at all times in the eye of the public, and especially of the local agent, and the ethics of our profession demand that there should be no misunderstanding as to the legitimate status of each component part thereof. I shall therefore be pleased if reference be made, through a special committee, to the subject, "The Deterioration of the Special Agent."

The popularity of our Association is evidenced by the continued applications for membership. Our secretary reports new members, but the grim tyrant has not passed us by, and it is with a feeling of sadness that we have to record the loss, by death, of our fellow member, William R. Heath, stricken while yet in his prime. We can do no more than emphasize the sentiments of sincere esteem and sorrow expressed by the committee in their memorial to his memory.

In a financial way, the Association is on a firm basis, as is evidenced by the handsome credit balance of \$1,500.77, being some \$200 in excess of the amount on hand one year ago.

Your library committee reports a seeming lack of interest in this very valuable adjunct to our Association, and I speak for them your careful consideration of their suggestions looking to the enhancement of its popularity and value by making it more generally accessible.

And I would like to say right here, gentlemen, that the Library Committee has been working very hard to bring about some reforms in the method of taking care of the books of the Association, and in discussing them, etc., to, as I say, make them more generally accessible; and I trust that when the committee's report is read, you will all be on hand and take part in the debate, and that we may bring about an intelligent solution of the subject.

Your committee on "Re-Insurance Contracts" has labored long and faithfully to prepare a form which can, with propriety, be adopted by all companies. Their report will be read tomorrow morning, and I trust that every member of the Association and every visiting friend will make it a point to be present and participate in the debate which must surely follow the reading of this very important document.

That document is very lengthy and will take some little time to review, and I hope you will all take part in it. The object of the committee has been to bring about some uniformity of the reinsurance contract between the companies. There has been some little misunderstanding at times as to just what liability there is on the part of the reinsuring company.

The insurance of growing grain has, for years, been a very important factor in the business of many of our offices, and I have no doubt that the report of the committee on "Adjustment of Grain Field Losses," will provide material for considerable discussion.

Many of you will remember that some years ago an attempt was made to change the time of our annual meetings, but for some reason no definite action was taken. I understand that the subject is again being agitated, and from my recent experience, I have no doubt that the best interests of the Association will be subserved by following the suggestions that will be offered looking to such a change.

With this brief review, I now commend to your close attention the valuable papers which have been so kindly prepared for us.

(Applause.)

The President—Just at this time I want to express my cordial good will and appreciation to those who have helped to make our meeting a success, also to welcome all of the Association's members and visiting friends, and to extend to visitors all the privileges of the floor. I will also ask them to take part in any debates as if they were members of the Association.

Mr. Kinne—Mr. President: Following out your idea that any of those present as guests should have the privilege of the floor and the right to discuss matters, I would like at this very moment to propose for honorary membership in the Association a gentleman that we all know, a man who became agent in Grass Valley, in the year 1858—(forty-four years ago) of the Liverpool & London Insurance Company before it took over the Globe. In 1866, he became marine secretary of the Pacific Insurance Company, and two years later was made the general agent of that company in Chicago. He did his work so well that in 1871 the Pacific was burnt up—there was too much at risk just at that time, and that he did his duty thoroughly well was there illustrated. Later on, I think in 1875, he became secretary of the Commercial Insurance Company, and still later manager of the Pacific Coast Department of the Palatine Insurance Company, and at the same time represented other companies. He was for over a quarter century president of the

Fire Patrol in this city. A change has recently been effected as you are all well aware, which has taken this gentleman, Mr. Charles A. Laton, out of the business, and as he can no longer remain an active member of our Association, I take great pleasure in presenting before this body the name of Charles A. Laton for Honorary Membership, with the understanding that the Secretary shall notify him at once, if elected. It is a personal gratification to be permitted to make this motion, as Mr. Laton and myself served together in the old Pacific, before the Chicago fire.

Mr. Meade—I second the motion, Mr. President.

The President—Gentlemen, it gives me a great deal of pleasure to put that motion. Mr. Laton has been identified with the insurance business for a great many years, and his hand has been shown in many of the public affairs of the city, notably the Fire Patrol. I will ask for a rising vote upon the question.

Mr. Laton was elected by a unanimous rising vote.

The President—Mr. Secretary, have you any communications?

Mr. Meade—There are none, Mr. President.

The President—The next order of business is a paper by Mr. William Sexton, entitled “When to Deny Liability.”

Mr. Sexton—It is not customary to deny liability on the part of the company at all times, Mr. President, but sometimes it is necessary that it should be done.

WHEN TO DENY LIABILITY.

WILLIAM SEXTON.

One of the puzzling questions that comes before the adjuster is, “When to Deny Liability,” and how to so conduct an adjustment that he will get at the actual amount of the loss without a waiver of any of the rights of the company. The practice of taking a non-waiver stipulation would cover the case, but the request for such stipulation creates a suspicion on the part of the claimant which causes him to be cautious and sometimes prevents getting at the actual facts.

LAW OF WAIVER.

The object of an adjustment is to ascertain the actual figures and facts that the adjuster may pass upon them, and admit such as he may find just and right. The law of waiver is: That when the claimant has disclosed to the company any "act" that would void his policy, and after such disclosure the company asks him to perform any "act" called for by the policy, that the company then and there has waived the "act" that would have voided the policy, and has reinstated and continued the policy in force; the theory being that the "act" made the policy voidable on the will of the company, but not void, and that as a company could not ask for the performance of any "act" under a void policy, the company, when asking for a specific performance, waived its right to claim a forfeiture of the contract and continued it in full force.

HEARSAY TESTIMONY.

A good rule to keep in mind is, that outside or hearsay testimony as to title, non-occupancy, or other causes that might void a policy, is not sufficient ground on which an adjuster must deny liability. Such hearsay testimony will put him upon inquiry, but until the claimant has admitted or stated a fact in relation to the risk that would void the policy contract, the adjuster is not compelled to enter a denial. Keeping this idea in view, the adjuster should not permit any question of title, ownership, or occupancy to arise until the amount of the loss has been agreed upon; he should not ask any questions that he does not want answered.

The Coast form of proofs of loss provides seriatim for statements of "amount of insurance," "cause of fire," "amount of loss," "ownership of property," "title," "incumbrances and liens," and "occupancy of premises." When filling and following out this form, any question that would bring out any fact that would void the policy would, except the amount of insurance, remain unanswered until the amount of the loss had been ascertained and agreed upon.

WAIVER.

In the case of *Pearson v. Insurance Company*, under the "iron-safe" clause, it was conceded that the conditions of the iron-safe clause were not complied with, but that the breach of these conditions had been waived by the company. The waiver relied upon consisted of the acts and conversations of the adjuster representing the insurance company, with full knowledge on his part of the breach of this clause (and of the

consequent forfeiture of the policy), by which the insured was induced, encouraged, and required, at considerable expense and trouble, to procure copies of his invoices for the purpose of making the proofs of loss required under the policy. The appellate court held that this conduct on the part of the adjuster, amounted to a waiver of the iron-safe clause, and in the course of its opinion took occasion to quote from another case on the subject, as follows: "A party to a contract having the right to declare it forfeited, must exercise that right when called upon to act under the contract. He cannot recognize the contract as binding, and afterwards insist upon its forfeiture." The Supreme Court of Alabama, in the case of *Georgia Home v. Allen*, says: "If an insurance company, after knowledge of the breach of a condition contained in the policy issued by it, enters into negotiations or transactions with the assured, by which the company recognizes or treats the policy as still in force, or induces the assured to incur trouble or expense, such acts or admissions on the part of the company will be regarded as a waiver of its right to claim the benefit of a forfeiture of a breach." And in the same case, under "Act of Adjuster," it is said: "An adjuster of an insurance company, with full power to make examinations, investigations, and adjustments of a loss, has authority to waive the conditions of the policy; and if such adjuster, with full knowledge of the breach of the conditions of the policy of the insured, enters upon the investigation and adjustment of the loss, and treats the policy as valid and subsisting, any defense the insurance company had to the policy, by reason of the breach of the conditions, will be deemed to have been waived."

Denial of liability should be made in writing, stating the exact grounds on which such denial is made, and if the company wishes to settle the loss on an equitable basis, such basis can be stated in the communication denying liability, with the understanding that the suggestion to settle does not admit any legal liability under the policy, and is made for the purpose of compromise only.

(Applause.)

The President—I am sure, gentlemen, that we all feel that Mr. Sexton's paper is a very valuable addition to those we have heretofore had on the subject of losses and loss adjustments, and I am very glad that there is yet time to have it included in the publication which our Committee has under way. Mr. Sexton shows clearly how easy it is to create a waiver, and how carefully an adjuster must proceed in determin-

ing the measure of loss, without in any way committing his company. Are there any remarks to be made upon the subject?

Mr. D. A. Spencer—Mr. President: The question of waiver, as Mr. Sexton says, is undoubtedly a most difficult one, I may say the *most* difficult one that adjusters have to deal with in case of loss, especially where they believe that there has been a forfeiture. I have looked over the decisions of the courts in a great many cases in regard to waiver, and I find that the tendency of later years is toward a strict construction of what is called the statutory contract. There is a very interesting case in one of the late New York reports that bears very strongly upon that. A statement of the facts of the case will perhaps illustrate it better than it could be illustrated in any other way. A policy was issued to the estate of a man by the name of Richards, and subsequent to its issuance a loss occurred. An adjuster was sent to the ground and made some efforts to compromise the claim after discovering that the property had been deeded by Richards prior to his death to a trustee, for the benefit of creditors. The company subsequently denied liability under the policy. The plaintiff claimed that the action of the adjuster in the case had admitted the company's liability. The court, in deciding the question, said that the policy was void from the beginning, and that the adjuster did not have the power to make a new contract; that any acts of his tending in that direction were of no effect whatever, and that he had not created a waiver, as it was not within his power to create a waiver. There are several other decisions of other courts bearing in the same direction. It is undoubtedly true, as Mr. Sexton has said, that the majority of all the courts have decided that any acts of the adjuster that put the assured to trouble or expense, or led him to believe that the company was disposed to settle his claim, amounts to a waiver of the forfeiture, if those acts are done after the forfeiture is known. One quite able to judge says in one of his decisions that the company may remain silent, or its agent may, waiting until the claim has been made before declaring the forfeiture; but if it allows the assured to go to trouble and expense or causes him to believe that they are willing to admit their liability by any offers of com-

promise or settlement, that it will act as a waiver in the case. That is the great stumbling-block of adjusters in matters of that kind, as we all know who have occasion to wrestle with the question.

Mr. Meade—Mr. President: I may not make myself clear, but I think many adjusters have the idea that they represent the company only. The companies employ their special agents or independent men to settle a loss because of their knowledge of insurance contracts. The policy contract states explicitly "that after the fire occurs the insured shall give immediate notice thereby in writing to the company, protect the property from further damage, forthwith separate the damaged from the undamaged personal property, put it in the best possible order, and make a complete inventory of the same, stating the quantity and cost of each article and the amount claimed thereon." I claim that an adjuster only acts as an aid or help to the insured in the proper presentation of the claim. The matter of waiver that has been brought up I think could be very easily obviated. If the adjuster would say to the assured, "It is by courtesy of the company that I visit you, and if you desire, help you make claim for loss and damage under the terms of your policy contract, for presentation to the insurance company; if you desire my aid, well and good; if not, present your claims direct, under the terms of your contract," then the difficulty would be overcome, and the assured and the adjuster could work together. If the matter were presented in that way, I do not see how the waiver could come up. The claim being made, the adjuster can go through with an examination of the matter and carry out the terms of the contract explicitly all the way through.

The President—Are there any other remarks to be made upon the subject? If not, we will proceed to the paper of Mr. Medcraft on "The Cost of Special Work." It is a paper that will appeal to everyone. It has some excellent suggestions, and should command the careful attention of every field man. I hope you will follow it carefully.

THE COST OF SPECIAL WORK.

R. C. MEDCRAFT.

Whatever may have been in former days the natural qualifications and the attainments of the successful special agent, it is certain that the requirements of today are no less exacting and varied, although possibly they are not identical in all respects. Persistent diplomacy, capacity for habitual extension of acquaintance, timely and shrewd adaptation to competitive circumstances and local conditions—these three qualities certainly stand out today as even more important and urgent than ever before. To a certain extent only are they attained through the easy medium of “natural gifts,” while they must, just as of old, be concurrent with knowledge, industry, and study. There is one point of view, however, to which the special agent has naturally been somewhat of a stranger: viz, that which focuses on his own cost in the business. Not many of the fraternity have the actual opportunity of dealing with the maintenance of the due relation between the premium account of an office and the expense account. Indeed, the subject is not generally regarded as one which comes within the scope of the special agent, in his usual capacity of a field representative of his principal. But it is the case that now and then circumstances seem to combine to force upon the whole special agency body attention to the fact that there exists between their own cost and the premium account a relationship which is very sensitive and decidedly personal. There is to be considered not only the general question of the ratio of total expense to total premium, but also the subordinate relation between special agency expense and total expense. And this assumes an unusually direct importance when company or office amalgamations and combinations become a matter of frequent occurrence—when one special agent after another, in quick succession, finds himself unable to retain his position because of the necessity of or the opportunity for a definite reduction in general cost of management—when he can do no more than look back on the discomforts and worries which he had perhaps over-estimated—when he is ready to exclaim, with the Irish orator, that his cup of uncertainty, “which had overflowed for years,” was not yet full—and when also, perhaps, he turns a thought of kindly sympathy towards the manager who has sorrowfully wielded the axe, and thinks of him, maybe, as of a skillful coachman, driving three horses abreast, with the disadvantage of reins almost too slippery for the task. In his musings, he sees the center position held by the premium income account, the right and left by the loss account and the

expense account respectively. The center must be whipped and urged forward; the right must be kept far behind, and the left, under normal conditions, considerably behind the right; while at least two of the three must be consciously preserved in a certain mathematically correct relation. Let the center advance too rapidly and the right will promptly follow suit, even if the left remains stationary. Let the left advance unduly, and presto, there must arise general confusion and disproportion.

The total expense of an office can, of course, be classified in various ways; and every special agent, as well as every manager, has his own ideas as to such classification. Let us, for example, divide them as follows:

1. Natural, comprising all forms of commission and also exchange.
2. Arbitrary, comprising all forms of taxation, licensing, and enforced advertising.
3. Domestic, comprising rent, light, janitor's service, warmth, printing, stationery, voluntary advertising, postage, express.
4. Supervisory, comprising such items as office salaries, special agents' salaries and expenses, surveyors, collectors, and also Board expenses.
5. Extraneous, viz: head office over-riding expense.

The last named is just as real and irremovable as are all, or nearly all, of the others, and it is none the less important because it does not always appear in reports. Over and above every department operating cost, there must always exist in the background an additional percentage representing a proportion of head office expenses, and this silent ghost is probably one of the secrets of the withdrawal of certain companies at times when underwriting profit is dangerously small and promises no enlargement.

The "natural" and "arbitrary" classes of expenses are, so to speak, of a "fixed" nature. The "domestic" and "supervisory" are more or less variable, and, as a matter of percentage, are wholly dependent on the fluctuation of that net premium income which forms the basis of the whole cost. Locally these expenses are, of course, and must always be, at the sole responsibility and within the sole control of the manager. The correct application of the laws of proportion is their keynote, and just according to the extent that correct foresight is applied to proportion, so will the applied control manifest itself in a permanently

successful result. But in these "variable" items there are elements in which the special agent can, even in his natural sphere, well co-operate, in the direction of maintaining the general and very necessary equilibrium. The domestic and supervisory groups constitute the most important part of a general total which must be kept at such a figure as will not imperil the results of a satisfactory annual loss average, itself sufficiently liberal in estimate to include periodical or occasional conflagrations, or even mortalities which are no more than simply abnormal. And, carrying the division one step further, the special agency expense is the heaviest individual component of the variable section. It is also the most susceptible and the most readily dispensed with or reduced under pressure of a threatening total. The tendency of the day is apparently in the direction of a curtailment of the item, rather than even the maintenance of the present status. Herein, then, lies a danger to the immediate future of the special agency profession, in regard not only to numbers but also to remuneration—for, with the gradual diminution of numbers, we may believe that there will not come an increase in individual compensation. It is not difficult, also, to imagine that a certain number of companies may, before long, more strictly limit their acceptances to specific classes of locality, or specific groups of towns, and, having attained therein such premium income as suits them, may fall back primarily on inspectors or examiners (underwriters solely) instead of special agents. The wholesaler (the company) will have established with the retailer (the agent) all the volume of business he cares to have, and the salesman (the special agent) will diminish, both in opportunity and in importance.

And so we reach this practical query: With the experience of the past, the knowledge of the present, and the appreciation of the possible exigencies of the future, what is to be the self-preservative policy which must be carefully followed out by special agents themselves?

Help in every possible way to keep down expenses of all kinds. The special agent of the average office can do a good deal towards his own salvation and the general weal by inducing local agents to send in to his company office only such amounts of liability on single risks as it can individually absorb; by studying economy in the ordering of local agency supplies; by himself watching agency postage and all similar charges; by traveling so as to minimize the duplication of route; by spending only the necessary minimum of time in any one section or item of his work; by constant use of mileage; by sending in his own reports to his office absolutely complete in themselves; by double watching every

item of his expenses; by reducing to their minimum all "sundries" or "miscellaneous"; by adjusting every loss which may come within his reasonable reach and within his opportunity; by undertaking and carrying out effective supervision and inspection of, let us say, \$50,000 to \$60,000 of average premiums.

These are all matters which it is almost an impertinence to suggest to you gentlemen. They are all "familiar friends," and the recounting of them is in a way a platitude. But every special agent knows that some one or more of them are at times lost sight of, and that their observance, and doubtless that of others which have not been mentioned, all, in different ways, tend to keep the special agent's annual cost within that maximum percentage which the average office can support, year in and year out. That such should be the regular condition of the matter is not only the responsibility of the manager, but also the co-operating safeguard of the special agent and consequently his direct personal interest.

Local agents as a class need to realize more fully than I think they do this burden of co-operative general economy which rests on the special agent's shoulders. The local agent is, after all, still the very "reason of existence" of the special agent, as distinct from the surveyor. On the other hand, almost in the act of being the product, the special agent becomes himself the producer, the creator, and presently the teacher.

Fire insurance and mathematics are, as sciences, in some respects far apart. But at certain points they converge, and it is no great strain to use them for purposes of parallel. Just, then, as algebra is the sequence to and the "sublime doctrine" of arithmetic, so are the functions of the special agent the outgrowth, the development, and fruition of those of the local agent. Just, also, as the value of algebra is, as regards one of its purposes, derived in a great degree from its brief, compact notation, by means of which all the quantities under consideration are kept constantly in view, so is the influence of the student special agent felt, in any one field, in proportion as his knowledge is instilled into local agents in brief, compact form, yet so flexible as to embrace the largest possible number of those important considerations which are continually presenting themselves to both insured and insurer. The particular point which I am urging is the necessity for restraining the cost of special work, and also for initiatory co-operation in the restraint of all forms of cost. And my belief is two-fold: first, that special agents should realize the fact on their own account and for their

own advantage; and next, that they must train local agents to perceive it also, as a practical factor in a business which is one of the most potentially logical on earth. The latter view (I mean the appeal to the perception of the local agent) may be regarded as a very indirect as well as delicate process in contrast with the former, viz: the power which to a certain extent lies within the reach of the special agent himself. Yet the direct and the indirect both have their separate values, and the formulating of the indirect phase of a theory may assist in the carrying out of that phase which is the more direct and palpable.

Generally speaking, the local agent is not interested in any self-preservation theories on the part of or on behalf of the special agent. He takes very little interest in the fiscal exigencies of the manager. On the other hand, he desires to secure as great a reward as he can for his own work, and he is confronted all the time with the spectacle of one group of companies standing ready to pay him for his business more than the other admits that it can afford. All of which sounds like chaos. There are doctrines, however, which are certainly true, yet cannot be readily proven by chapter and verse. Their converse, furthermore, is manifestly untrue. And so in this matter of the co-operation of agents, to a reduction of all forms of cost. It is correct doctrine, even though quixotic. It is true that in the peace of mind, so to speak of underwriting capital, not less than its stability and abundance, lies the comfort of that vast number of local agents who are not the transient but the permanent, weighty factors in the business; men who would at once concede the logic of an appeal for their voluntary co-operation, were more of them holders of insurance stock instead of owners of real estate. It is true that taxing (except perhaps in a reasonable, undiscriminating way, by the State only) and licensing have no proper place in insurance economics, and that it is to the interest of local agents to work towards the suppression of taxes and licenses. It is true that lower expenses justify lower rates, and that lower rates and lower compensation restrain the development of new competition.

In conclusion: It seems to me that I have unconsciously completed the natural circle of this brief argument, for I am back to the point of its commencement. If the train of thought which I have expressed is even partially a true one, surely it suggests of itself, in the foreground, that the special agent of today needs (as indeed he has) the full measure of intellectuality, as well as a good store of comradeship. Also, that he requires constantly to press into his service both the telescope and the microscope. And, in the background, that he must have a

belief in the fact that just as his real hold even on the very agencies which he himself creates is apt to depend upon the absence of artificial aids in fostering and maturing them, so will his permanent strength in the other direction, viz: that of material advancement, be most likely, on opportunity, to develop out of notoriously sound practice and economical work. The stroke of the same clock will stimulate us at one time to set out in one direction, and at another time in another direction, *according to the ideas that it co-operates with.*

May those ideas, with all of us, be in harmony, with the golden rule, the "perfect principle," apart from which there is no safety, and beside which there is no guide of life worthy of comparison.

(Applause.)

The President—Are any remarks suggested by Mr. Medcraft's very able paper?

Mr. Devlin—Mr. President: I want to commend very highly Mr. Medcraft's paper. I think it is very valuable. I hope the special agents will not only read it, but will study it. I touched upon the same question in my last annual address, but of course but very briefly. Mr. Medcraft has given it a great deal of thought and attention, evidently. Special agents do not seem to realize that it is the special agent who must be the future manager. They ought to take that into consideration and say to themselves, "What would I do if I were in the managerial chair? What would I want my special agent to do?" What you would want him to do is what you, as special agent, ought to do yourself. I think that if the special agent would only consider that, not only in the matter of expenses, but in everything that he does, it would be decidedly advantageous to him. It is true, too, that this age has become one of specialists. A man not only has to master a great many things, but he has to know one thing well, if he is going to make a success in his chosen business or profession. The question of inspection has not, it seems to me, been given the attention in previous years that it should. The question of getting business has been paramount—get business, get business, no matter what it is, has been the cry. It is true that on the Coast here we have been very fortunate. But we cannot always be fortunate. Witness the town of

Paterson, one of the best towns in New Jersey, a town that all the underwriters thought a great deal of. Look what happened there; see what a conflagration they had. That same thing may happen in some of the towns that we have. We do not know when the day may come that one of our towns may go. People point to San Francisco and say we have been very fortunate. We have been, indeed. But people do not seem to realize that there has been an eagle eye out all the time, that there are among us men who are constantly going around inspecting every building in the town, removing rubbish, fixing light wells, looking after the elevators, inspecting the electric wirings. We have a very good ordinance here in San Francisco in regard to wiring, but for fear that something may get out of order, they inspect all such things, regularly and carefully. I wish the special agents would take up Mr. Medcraft's paper and read it carefully. I am very much interested in the special agents, for they must be, as I have said, the future managers. Consider that. If they are going to stay in the business, let them study and read, and do all of the things that should be done towards getting on, and I know all will benefit by it.

Mr. Sexton—Mr. Chairman, I wish to present to our Association Mr. J. V. Spears, who will read a paper tomorrow.

The President—We are very glad to welcome him to our Association and meeting.

Mr. Schively—While you are in the mood for receiving introductions, I would like to introduce to yourself, Mr. President, and to the members of the Association, the Hon. S. H. Nichols, Secretary of State of Washington and ex-officio Insurance Commissioner of that State.

The President—We are glad to welcome Mr. Nichols. Some discussion has been had upon the question of inspection. The question is, as Mr. Medcraft and Mr. Devlin have said, a very important one. This afternoon we will have a paper on that subject by

Mr. T. C. Shankland, which I think will very thoroughly go into the general question of inspection, and then you will all be heard upon the question. The next paper is "Special Agents," by Mr. Edward Niles. I regret that we have not Mr. Niles with us to read his paper, but in his stead we have a most excellent substitute in Mr. George F. Grant.

Mr. Geo. F. Grant—Mr. President and gentlemen: It is unfortunate that so clever a man as Ed Niles should be at this time stalled in Montana. The paper is full of epigrams and bright sayings, and I hardly expect to do it the justice that Mr. Niles himself would. This is the third article on "Special Agents" written by Mr. Niles.

SPECIAL AGENTS.

(Third article.)

EDWARD NILES.

"Ships that pass in the night, and
Speak each other in passing,
Only a signal shown and a distant
Voice in the darkness."

It is said that nine men out of ten who start at the top reach the bottom, but nine men out of ten who start at the bottom stay there—and that's why there are so many special agents. The man who said that did it unsolicited and can't prove it. "Who invited Prince Henry, anyway?"

It is a curious fact that the best special agents do not, as a rule, write articles about special work, but, of course, there are exceptions.

It has been said that it is the things we do not understand that do us good, and that is why our prescriptions are written in Latin, our menus in French, Board circulars are issued, and special rates announced. Of the multitude of things I do not understand, special work comes first, electricity second, and farm rates in Colorado third.

Our president attended the recent opera season, and was so impressed with Wagner's Trilogy, that he urged me to complete a trio of articles referring to special agents and their work. "You might as well finish the set," he said, "but remember for this meeting nothing but the best will do." Strange how much unconscious humor some of our rulers occasionally display.

THE WAY TO SUCCEED.

My previous remarks on this subject were received by the members in a spirit of uncomplaining resignation, doubtless because no one really knows just what is the best course for special agents to pursue. It is with them as with local agents, or even general agents. Aside from the element of luck, which often puts men in positions to which they are not entitled by reason of inherent or acquired ability, success depends largely on personality and on the regard of others which may be won more quickly by engaging qualities than by actual merit. There is a saying that is a gem of wisdom and worthy to be written in letters of fire, that he who runs may read. This is it: "Man is always just, only to those whom he likes." Therefore a special agent (or any other man) should try to be agreeable and to make himself popular, at least outside of his own family, for if people like you, you need not know very much to succeed.

The few words that I have to say in reference to special work are not intended for anyone who has had more than a year's experience in that rather delicate and difficult line of labor, if labor it may be called. Far be it from me to combat for a moment the current idea that the life of a special agent for a fire insurance company is a perpetual picnic and a continuous round of pleasure. To prevent argument, all that is conceded, and my remarks will merely touch lightly upon the work which occasionally may be done by the field man in the way of variety and as a relief from unceasing recreation, for even pleasure palls when we have too much of it. The men who are always giving advice sometimes grow wearisome to the young and inexperienced, but just a friendly hint or two may be more kindly received, for, after all, "the world does not require so much to be informed as to be reminded." "It is always safe to learn, even from our enemies; seldom safe to instruct, even our friends."

Energy, restless, fiery energy, is a grand trait. I admire it in others. It is not, however, haste but despatch that eats up the work and finishes every detail. You probably remember Lincoln's story of the steamboat that once ran on the Mississippi River. The boat had a 10-horse power boiler and a 12-horse power whistle, so that every time the whistle blew, the boat stopped.

Did you ever run out of ideas? I feel that way now, and here is where the advantage of having contributed other articles on the same subject comes in. The old ideas are easily available, and "there are

no friends like old friends." And then think of the glory of telling this assemblage of underwriting talent just what to do and how to do it. It is true that glory has been defined as nothing more than a furrow in the dust, but even a furrow is better than no impression.

PERSEVERANCE AND EVOLUTION.

There is no quality in a special agent more conducive to success than perseverance, which, it has been well said, can sometimes equal genius in its results. The evolution of a wise, accurate, faithful, industrious field man is dependent not so much on talent as on perseverance. We all believe, or should, in evolution, physical, intellectual, and spiritual, but few know the exact meaning of the term. And yet, according to Herbert Spencer's definition, it is simply a "disintegration of matter and a concomitant dissipation of motion, during which the matter passes from an indefinite coherent heterogeneity to a definite coherent homogeneity, and during which the retained motion undergoes a parallel transformation." Nothing could be clearer, and Herbert Spencer evidently would be just the man to write Board circulars.

Style has been defined as a state of intensity, and the special agent, if he would convince his employers that there is something doing, must maintain a permanent state of enthusiastic, hopeful intensity. With this he must not grow "chesty," and imagine that he knows very much more than other men. It is dangerous to feel too big or look too high. Charles VIII. of France, bumped his head against a stone doorway and died right then and there, because he did not stoop low enough. The mere fact that you are on railways a good deal, should not, however, give you the fear of death. A very thoughtful observer once said that the only objection to death is that it is so permanent.

If the special agent is faint-hearted, foolishly sensitive and indifferent, not to say lazy, he will be "up against it" during most of the brief period preceding his retirement. "There is no business alchemy by which you can get golden conduct out of leaden instincts."

I have found that the good-looking field man has more to contend against than others. To him the poet's warning seems appropriate:

"I would that thou might always be,
As innocent as now.
I fear thy gentle loveliness,
Thy witching tone and air,
Thine eyes' beseeching earnestness,
May be to thee a snare."

There are many unpleasant people to be met on the road, but as the art of pleasing consists in being pleased, we must assume a virtue if we have it not, and try and get on with all of them, even if we like some better than others, and a few not at all.

Grover Cleveland said one good thing when, in a moment of inspiration, he "breathed on the dictionary and it flashed and broke into flower," with the saying, "It is a condition and not a theory that confronts us." Although we cannot entirely divest ourselves of our prejudices, we should remember that Darwin expended many years of his life in the study of animals of all kinds, disagreeable and otherwise, that he might prove the adaptability of organism to environment. If he could put up with them, we ought to be able to bear with the two-legged ones.

AGENTS.

You will often meet agents who appear misplaced, unappreciative and repellant, but possibly under similar conditions you might not appear to any better advantage, if as good. "In the oxygen of success, even the dullest mortals will scintillate"—likewise special agents who do not retire early.

At some time in your career, you will probably, and perhaps through no fault of your own, get a back fall and perhaps a temporary loss of position. Then is the time to show your metal.

"It is easy enough to be pleasant,
When life flows by like a song;
But the man worth while
Is the man who will smile
When everything goes dead wrong."

Some specials seem to enjoy winking a reputation down, and often refer to others in the same line of work, or even to managers, as being over-rated. While it is true that we all have strength enough to bear the ills of others, having tried both plans I have at last come to the conclusion of Benjamin Franklin, that "it is better not to speak ill of any man, but on proper occasion to speak of the good I know of everybody." It is said to be a sure sign of mediocrity, always to be moderate in praising.

There is always plenty to do on the road. Time need never hang heavy on your hands. Like the druggist, if there are no customers in sight, you can polish up the bottles—and get acquainted with the other agents. Frequently you will get valuable tips from them. I know a special agent who was informed in this way of the unsatisfactory con-

dition of a milling plant on which his companies swung a very large line. Acting on this pointer, he cancelled. A few weeks afterwards, the works burned. The result was that he and the management were covered all over with the richest kind of glory. Indeed, they are still bragging about it in Chicago.

Some special agents carry typewriting machines with them, and send all of their letters to the offices in print. This is really nothing against them, for illegible penmanship, like bad spelling, is a misfortune and not a fault.

SYSTEM.

If you will do your work systematically, you may run against some prejudices, yet the agents will doubtless give you credit for thoroughness.

Moses Silverstein, the peddler, went into a large wholesale drygoods store to sell his wares. He reached the sixth floor of the building unperceived, and then ran face to face with the watchman. That official kicked him down stairs. When he landed on the fourth floor the office boy came in sight. He promptly kicked the peripatetic merchant two flights lower. Then Moses landed at the office. The porter, a robust Irishman, promptly kicked him into the street. Moses gathered himself together with difficulty, brushed off his clothes, and shook himself to ascertain if any bones had been broken. Looking around at the building, he soliloquized bitterly, "Oh, but I was a dead man. I have been insulted, but," and his admiration at the thorough manner in which the kicking had been done came uppermost, "Gott, vat a system dot store hav."

Don't keep yourself too secluded. Get out among the insurance men and exchange your views. Some of us are so shy and keep so closely in our shells that to most of our business associates we are "as dead as the bulrushes that were around little Moses on the old banks of the Nile."

On the whole, I think local agents (those who are not in the hole), rather welcome the visits of specials, and look upon them with a favorable and sometimes an admiring eye. They are almost as appreciative as the Kentucky colonel who saw Salvini's great impersonation of the dusky Moor, and remarked: "That was a mighty good show, and I don't see but the coon did as well as any of 'em."

An insurance business without a special agent is like the play of Hamlet with no representative of the melancholy Dane—a spectacle fit for gods and men to laugh at.

A study of the relative importance of things will prevent "slopping over" and the waste of time on trivial matters.

You cannot inspect risks too carefully. "Better to be despised for too anxious apprehensions than ruined by too confident a security." "There is time enough for everything in the day if you do but one thing at a time."

DON'T WORRY TOO MUCH.

If you make a mistake, don't worry too much. "A man who never makes mistakes never makes anything else, either." Be careful in descriptions. I have always admired that cautious, painstaking special who described the "ladies' boarding house" as "a low, one story frame building."

If you travel in the great Siwash State of Washington, print the names of the agencies very plainly, especially those bearing the felicitous titles of Skamokawa, Chewaukum, Wakiakum, Snoqualmie, Stillaquamish, Snohomish, Utsaladdy and Puyallup.

Don't be too unyielding in your views. Have the courage of your convictions, but be willing to learn. "An obstinate man does not hold opinions, but they hold him." But if they press you too hard, call poesy to your aid, and remark:

"I am not surely always in the wrong;
'Tis hard if all is false that I advance;
A fool must now and then be right by chance."

Do not procrastinate. "To-morrow hath a rare, alluring sound." For your own satisfaction, if for no other reason, try and mail your reports from an agency before you go on to the next.

If a loss settlement is confided to your tender mercies, adjust carefully according to your lights, regardless of their varying candle-power, and never plead incompetency, remembering that "any feat accomplished, seems easy enough afterwards." When the adjustment is made, don't worry about it, but dismiss it from your mind. If the claimant or the company choose to fret over it, it is their privilege—for which they have paid.

YOU WILL BE SURPRISED.

On your first trip you will be surprised at the ignorance of property-owners, and amazed at the indifference of agents. The fossil ideas of your office about forms and agency supplies will be so apparent that you will be tempted to register written protests and recommendations of new methods more in line with your progressive ideas. If you feel that the

office should be reformed and that you need sympathy, talk to the manager about it when you return. This is a better plan than to place your written expressions on file. Six months later you may change your views entirely, and even if you don't the clerks in the office may read your letters and give you what is called "the merry ha-ha."

While earnestness is a great thing and enthusiasm is commendable, the most ardent ambition may need a brake occasionally.

If you under-estimate the knowledge of any agent, you are likely to meet with a surprise that will make you homesick.

Do not over-value yourself, for there are other high-priced men on the road.

"The apparel oft proclaims the man." Try and strike a happy mean between a tramp and a fashion-plate.

It has been claimed that the function of a minister is something more than to be hitched to a hearse. The function of a special agent is something more than to help pull the ice-wagon of obsolete forms and methods.

You should study forms and methods carefully, but do not imagine that you are always right and the office wrong, for even courts are supposed to know something about the law.

CULTIVATE KINDLY FEELING.

Try and get along smoothly and cultivate an unenvious, kindly feeling. An Eastern legend (not Chicago, but further east) has it that a sinner in hell prayed earnestly for pardon. "As thou hast repented so shalt thou be forgiven," was the answer, and a silken cord was let down from heaven which he grasped, and was slowly pulled upward. Looking down, the escaping sinner saw that his ascent was being retarded by a lot of struggling wretches in the lower depths who also had clutched the cord and were dangling from it and joining in the upward procession. "Let go!" he shouted; "This cord is *mine!*" And as he spoke, it was snapped from above, and all were again plunged into hell, including himself. Moral: Humanity is a brotherhood, and the human chain is no stronger than its weakest link. "Importance is the grandeur of fools." Louis XIV. wanted only to be called "The Grand!" But once he was forced to seek shelter in a peasant's hut. The peasant had the small-pox. Louis had never dreamed of vaccination, and in spite of his grandeur, took that plebeian disease, died within a week —and the world rolled on.

You may, and doubtless will at times, receive criticism and perhaps reproof from your office which will stir you strangely. You will then immediately write a long letter of explanation in which a spirit of resentment is apparent between the lines, for you are feeling pretty bad. That is all right—but keep the letter until morning. Then you will destroy it, cheerfully accept the toning up and dressing down you received, and go right on with your work, a wiser and a better man.

“Put by both Hate and Jealousy,
And let the calm Night kiss thy brow.
Sleep! When thou wakest how differently
Shall seem the case so desperate now!
Ask of the Night.
For in her poppied realm their lies
A wisdom foreign to the day,
And she will lend it to devise
Sweet balms to soothe thy cares away.
Ask of the Night.”

So far I had written, and, as I glanced over the pages with that natural dissatisfaction which one feels who tries to convey his ideas but who lacks the divine gift of expression, I consoled myself with the thought:

“Here out of empty chaff thresh thou full grain,
To wave triumphant under sun and rain.”

and further revived my drooping spirits with the cheering reflection that

“At last, somewhere, some happy day,
The bliss will 'round us lie;
For all a joyous way
To follow bye and bye.”

A DREAM.

Then, with my head leaning on my hand, I tried nature's well-known restorer, began that pleasant, weaving process aptly described as “knitting up the raveled sleeve of care,” and I dreamed. Yet the picture drawn by fancy seemed so real that, although a dream, “yet 'twas not all a dream.” During a slumber of but a few moments' duration, as mortals count time, the years flashed by as if on the wings of light, and behold, without the pains and pleasures of daily life, I awoke and saw by a golden calendar hanging on the walls inscribed “Compliments of the Fireman's Mutual and All Round the Globe Syndicated Corporation Fire Assurance League of the United Americas,” that the year 1917 had arrived.

“Well, well,” I thought. “Surely my memory is failing, for I don't seem to remember what I was doing all those years since 1902. Is

it possible that I am getting to be an old man? If so, that Denver palmist who read my line of life was a wonder. Ha! Ha! (and I literally "cracked a smile" in an aged kind of way); "I would really like to see some of the old-time specials. I'll bet their hair is frosty, if they have any and have not dyed it, and their joints probably crack like Rip Van Winkle's when Joe Jefferson awoke from his leisurely nap in the Catskills."

At that moment the door opened and in walked the Colonel. Although his limbs trembled slightly he was still vigorous, and the fire of battle still shone in his venerable eyes. He handed me an ingeniously constructed calendar of a familiar appearance, which showed the variations of time at the principal cities of the world, including Manila, Porto Rico, Guam, Honolulu, Toronto, and the city of Mexico, the two latter, as it seemed, being a part of the United Americas.

"Now, what do you say to that, young man?" he asked, as he handed me the last number of the "Pacific West Review." "Read that article," he added. And I read as follows:

DETERIORATION OF THE SPECIAL.

"We cannot speak for the East nor for the Middle West, for our knowledge, though comprehensive, does not thoroughly cover the whole world, although we have studied much and delved deeply in statistics. But our observation of what we are pleased to term (whether felicitously or not we leave for our readers to judge) the Pacific West (which, perchance, may not be so pacific after this editorial is read), convinces us that the average special agent of today is inferior to the average special agent of say fifteen years ago.

"We are by no means alone (for several agree with us) in remarking this deterioration in the character of the average special. When we say deterioration in character, we do not exactly mean an absolute rottenness, as perhaps, even with a dictionary back of us, we did not get the proper word. But we would not feel justified in re-writing the above paragraph merely to avoid the imputation of unfairness.

"Cast your memories back, if you will, to the halcyon days of say 1902, and recall the glorious constellation of special agents which then glittered in the fire insurance firmament; men who fearlessly grappled with the most abstruse problems of adjustments and business getting, involving questions of depreciation, manufacturers' value, coal oil as a fuel, electricity as light and power, non-concurrent insurance with co-

insurance clauses of different ratios, and the collection of over-due balances from athletic agents.

"Think of the vast strides in the science of exact fire-underwriting made by the special agents of those days, largely through whose efforts compact associations were held together, equitable rates maintained, rebates discouraged, and a profitable and increased volume of business gathered for the companies. Such perfection was reached in the business at that time in the said Pacific West by the strenuous efforts of these distinguished workers in the field that this was conceded to be the only part of the then United States in which fire insurance showed a profit.

"Now conditions have changed, and the inferiority of the special agents of the year 1917 has been brought about by the syndication of the business and the fact that boards and bureaus now do much of the work formerly required of special agents, and also because the specials of this day have little ability and don't know much, anyhow. Besides, the superlatively talented ones appear in the world's history in certain irregular eras only, and in groups of varying periodicity.

"The crackerjack special agents grow in bunches, like celery, and ripen very infrequently. The galaxy of field men which shone so brilliantly some fifteen years ago simply appeared in obedience to the natural but not fully-determined law of special selection. So in the Elizabethan era, Shakespeare, Bacon, Ben Jonson, and many other intellectual lights, shone at the same time, and that wonderful trio of English poets, Byron, Keats, and Shelley, all were in the full blaze of their genius at about the same period.

"But the fact remains that the average special of today is not the equal of the average special of fifteen years ago in technical knowledge, underwriting ability, and all around service, to the agents whom he meets. We challenge reply either in these columns or at the next annual meeting of the Associated Fire Underwriters of the Pacific West."

"Well, Colonel," I said, "that sounds pretty good to me. Now I guess those fresh young special agents will have to go way back and sit down hard. Don't you think so?"

"No, sir!" shouted the Colonel, in a loud but rather piping voice; "I do not!"

Then the surprise of a contradiction from the Colonel awoke me.

(Applause.)

The President—I do not suppose there are any remarks to be made upon Mr. Niles' paper, except a unanimous vote of thanks to Mr. Niles for his very happy paper and to Mr. Grant for his rendition of it. The next paper is entitled "Little Drops of Water, Little Grains of Sand," and it is by Mr. Charles B. Hill. You may note that there are two Hills on the program (Twin Peaks, so to speak). In the absence of Mr. Hill, I have asked Mr. Devlin to read the paper.

Mr. Devlin—If you will bear with me, gentlemen, I will endeavor to present Mr. Hill's paper. From the title of it, for the season has been a dry one, I imagine that Mr. Hill must be in Southern California.

LITTLE DROPS OF WATER, LITTLE GRAINS OF SAND.

CHAS. B. HILL.

In the matter of papers read before this Association at its annual meeting, it seems to me that by far the best plan to follow is that which was crystalized many years ago into that famous piece of advice to the shoemaker. In other words, I think each of us can best serve the good of the Order by telling what we may have noted in our own experience, rather than by making more or less fanciful excursions into the land of theory. Hence my rather non-committal title for the present paper.

Perhaps the objection may be urged that if the above plan were rigidly adhered to, but little progress would be made in the science of the profession. It seems to me that the objection is not valid, because the safest and most definite progress is made upon a groundwork of accurate detail. The homely observations of the early Chaldean shepherds, faithfully handed down to posterity (there were no printed "Annual Proceedings" in those days), constituted the beginnings from which the complete and magnificent theory of the solar system has been evolved.

A complete manual of the insurance business could only be written by some man who combined in himself the knowledge and experience of the general agent, the mathematical insight of the actuary, the petty detail of the special agent, the literary ability of the "Knapsack" editor, and the leisure of the general adjuster. But where is he? And when may we expect the first edition of the "Complete Manual?"

EVERY DAY SOME NEW POINT.

When, in all sincerity, a remark is made like that one dropped by an old and dear friend of mine, who said that "after the third of a century of practical insurance work he found every day some new point to study over," then it seems to me we may confidently feel that each little experience we may have to offer will, if faithfully reported, be of some ultimate good. If ye shall learn wisdom out of the mouths of babes and sucklings, even the voice of a special agent may accidentally let fall some pearl during the reading of these papers. And an even more encouraging thought: but for these publications, the world at large might never have known what brilliant managerial material has occasionally been found flitting over the field and visiting country agents. Probably the agents themselves have never suspected it.

RATES AND RATE-MAKING.

One great weakness in our educational formulæ is the lack of all mathematical soundness. We find this defect in the rate tables, in calculations of depreciation on building losses—even in the comparatively simple operation of figuring an equitable "short rate" charge.

Doubtless we can never hope to establish fire risk tariffs which have all the logical mathematical accuracy of the life underwriters' mortality tables, and for very good reasons—but we ought surely to have some more definite reason for the adequacy or inadequacy of a given rate than "because the book says so." I do not know just how "the book" was made, but it is evident that it was not by means of a scientific series of approximation, deducted from definite given experience tables; because, if it were, there would be no distinctively "unprofitable classes."

AN ILLUSTRATION.

Let us take an illustration of scientific deduction. A surveyor has measured from some central station a series of angles to various other stations. Each individual measurement is subject to accidental errors of observation, and the mean resulting angle at each station may contain some systematic (but unknown) local error. Then the surveyor occupies in turn each of the stations observed upon from the central point, and measures at each one a set of "back angles." So that for a figure including fire stations (for instance), he will have measured all three angles of at least four complete triangles. All these results are turned over to the computer, who knows that the three interior angles of each figure should sum up an even $180^{\circ} 0' 0''$. They do not do so exactly,

on account of the accidental and systematic errors already mentioned. Each angle measured requires a certain correction to make it "fit." So he attacks the problem by successive approximations, and finally puts all of the defective triangles into one big pot, as it were, boils them out by the method of "least squares," and the figure is "adjusted."

It would seem that the determination of fire insurance rates is a somewhat kindred problem. Just as the three separate angles of each triangle should sum up 180° , so should the three elements of loss ratio, expense ratio, and underwriting profit sum up the round one dollar that we receive in premiums for each class of hazard. The classification books of the different companies furnish the information similar to the observed angles of our illustration, and all that we need is a competent computer, with sufficient knowledge of insurance practice to allow for local conditions, and to whom the companies would be willing to entrust their hidden mysteries.

RATIO BETWEEN AMOUNT COVERED AND LOSSES SUSTAINED.

It seems to me that much of the foregoing may be considered as illustrating what I have already entitled "fanciful excursions into the land of theory." So enough of this, except for a suggestion. In discussing uniform tariff ratings, you almost invariably find the writer alluding to a ratio between *premiums* and *losses*. Is it not true that the premiums on a given class are gathered from different localities, under varying tariffs, and perhaps for uneven periods of time; and that, therefore, what we really need for the determination of a "uniform rate" is the ratio between *amount covered* and *losses sustained* during a given period?

Conditions are constantly changing. The "profitable class" of the past may show future losses, and vice versa. A rate soundly established in 1900 may be fearfully out of joint in 1950. From the dusty pages of a remote and honorable antiquity, we have the present day "prohibited list." Let us consider it for a moment. "Steam Laundries"—that's on all of them. I don't know a harder risk for an agent to place than a steam laundry. And yet (without figures to back the assertion) I have a sneaking idea that good money may be made by writing them. "Brick and stone penitentiaries"—another old offender. Might they not in the present day prove at least as remunerative as well-mortgaged frame country dwellings? So let us have the ideal and mathematically sound rate-book without delay, please. No "preferred classes," no "prohibited list"—that's my idea of an insurance millennium.

RELATIONS BETWEEN COMPANY AND AGENT.

It has often been truthfully said that, as a body, the local fire insurance agents throughout the field comprise what is best in the population in brains, energy, and fair-mindedness. Occasionally, however, we meet the exception. For example, the agent who has no use for the visits of a special, except to seize the occasion for inflicting upon his long suffering person the accumulated kicks of many moons. Slang in a professional paper is reprehensible. But certain forms of "slang" are incomparable. There is only one man worse than the "kicker," and he is the "knocker."

There is one form of kick which I cannot help but recognize as just, and that is the complaint that the work of a cautious and discriminating local agent is underpaid. It certainly does seem unjust that the well informed and conscientious agent should be paid precisely the same compensation as that received by the ignorant or unscrupulous. The trouble is to find a remedy that will not lead to greater evils. We can only suggest, when the foregoing complaint is made, that the high class agent will be more likely to keep and increase his business and retain the better class of companies, than will his less capable competitor.

Then, too, we find the agent who recognized the right of a company to select its business, and the agent who takes each cancellation as a reflection on his personal integrity. There certainly should be a reciprocal feeling of confidence between agent and company, not only of confidence, but of tolerance and loyalty. It is unfortunate that the profits to an agency are exactly the same in good and bad business—more than this, the poor business is usually high-rated, and therefore pays the agent better. Here again we are at a loss for the proper remedy. The pet phrase most frequently quoted is that not entirely demonstrable corollary that "a company must take the bitter with the sweet." It jars on a sensitive and usually patient disposition to hear the arbitrary declaration that "my companies must take their line on such and such a risk, or out go their supplies."

But when, as not infrequently happens, you run across the agent who says, "Yes, that *is* a rotten risk, and I wouldn't think of asking any of my companies to write a dollar on it," the same sensitive spirit feels inclined to fall on his neck and weep. It will not do to condemn an agent offhand for his anxiety to write business, or to say "That fellow is only working for commissions." It is much easier to recognize a poor risk when one is working on a salary, and very often "commissions"

mean house rent and food for the baby. Perhaps, after all, many of these troubles are primarily due to a reckless acceptance of business by some more or less irresponsible company in the same agency; possibly one managed by some ambitious young man, to whom premiums are tangible facts, expenses minor considerations, and losses only remote and most unlikely contingencies.

DISQUALIFICATION.

I believe the "credit rule" is a good thing. It has sometimes been possible to convince even a very skeptical agent of this fact. It has been of assistance to many agents (who have not had the money or perhaps the inclination to carry along their customers) in the way of collecting promptly from insurers who would otherwise stand them off. An agent can truthfully say, "There are four ways out of this: First, you pay within the specified time; second, I pay it for you; third, we cancel the policy; or fourth, I am disqualified. Now, I haven't the money to lend you, and I don't want to be run out of business. What shall it be, coin or policy?" Theoretically the idea is magnificent. But in practice it has degenerated into almost a farce. To my mind, disqualification is something to be entered into with great deliberation and for mighty good cause, and, when declared, to be instantly acted upon. Just now I know of some four or five cases of "disqualification" where the agent is still, after six months or so, writing business in Board companies. In one case I have seen a policy written by a special agent five months after the fatal date. In another (unhappily) the disqualified agent is still writing our own expiring business in a good Board company.

Now, disqualification either means something, or else it doesn't. The field man should be instructed on this point, and the companies should generally keep the same faith in this regard as they would on a tariff, or a rate of commission.

BOARD AND NON-BOARD.

Some of the Board agents need occasional cheering up on the subject of non-Board competition. They will find, on closer investigation, that (except in certain notorious localities) it really isn't as bad as they imagine. As a matter of fact, in California the non-Boarders, were in 1900 approximately one-twelfth of all the companies and wrote about one-twelfth of all the business for one-fourteenth of the premiums, and in 1901 were approximately one-eighth of all the companies and wrote about one-eighth of the business for one-ninth of the premiums.

This, of course, was considerably more than their due share, according to their size, strength, and general respectability, but it decidedly is not playing such untoward havoc with the straight Board companies as the alarmists will insist. And there is great virtue in well directed retaliation, which, to my thinking, has not been practiced with energy.

In certain quarters, where "county mutuals" are operating, you will find some thoroughly discouraged, albeit perhaps competent and energetic, Board agent declare that "It's no use trying to write the farm business of this neighborhood. That (adjective) mutual gets it all." Now, I don't know what proportion of the total premiums the farm business of California amounts to. Fortunately for our State loss ratio, it is not the greater part, but in 1900 seven county mutuals only wrote 1/630 of the State business, for total premiums of a little over three thousand dollars. In 1901 the still surviving mutuals wrote an even smaller proportion—1/710—with premiums amounting to \$4,350. For the two years \$7,500 collected in premiums and \$3,000 paid in losses. Just a few more losses out of those regularly recurring on out-of-town property are wanted in the county mutual column, in order to give our old-line agents considerably less competition in this line.

I have drawn up in tabular form the proportions of Board and non-Board business in 1900-1901. It is instructive to note the percentage of average rate obtained by the two classes and to compare both with the average rate during the rate-war year 1896, given below. It must be remembered, however, that the apparent average rate from the figures of 1896 is misleadingly high, on account of the number of term policies then written on annual business. The non-board loss ratio in each year is lower than ours—they have a better chance of selection in the protected cities.

CALIFORNIA BUSINESS.

1900—Board.

Written by.	Amount Written.	Premiums.	Average Rate.	Losses Paid.	Loss Ratio.	No. of Co's.
Board Co's . . .	\$361,877,359	\$5,432,255	1.501	\$2,289,697	42.2	86
Non-Board Co's.	32,395,730	428,878	1.324	165,646	38.6	8
All Co's.	\$394,273,089	\$5,861,133	1.487	\$2,455,343	41.9	94

1896—No Board.

All Co's.	\$336,334,238	\$3,817,315	1.135	\$2,645,595	69.3	70
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1901—Board.

Written by.	Amount Written.	Premiums.	Average Rate.	Losses Paid.	Loss Ratio.	No. of Co's.
Board Co's. . .	\$466,417,829	\$6,839,841	1.466	\$2,158,869	31.6	90
Non-Board Co's.	64,196,738	829,041	1.291	235,672	28.4	12
All Co's., . . .	\$530,614,567	\$7,668,882	1.446	\$2,394,541	31.2	102

NOTE.—In each case these figures are from the preliminary published statements.

One word more about the non-Board man, and then we'll try to forget him. Speaking in general terms, I think you will find that the representative non-Board agent in many of the country towns—the out and out, dyed-in-the-wool, rate cutter—is the discontented and unsuccessful competitor of straight Board agents. Very often he is the discredited and disqualified representative of compact companies, the man who cannot do business with the citizens of his own town unless he will do it so much cheaper that the insured concludes to take chances on his indemnity.

The successful store-keeper in any town is the man who insists upon obtaining on his goods a price sufficient to cover original cost, expenses, and his own living, who doesn't sell below invoice (on long credit), and pursues similar courses leading inevitably to a fire or a failure. And it is even so with the local fire insurance agent.

FEWER AGENCIES WANTED.

Is it useless to hope for a return to the good old days when a limited number of agents, proportioned to the size of the town, represented *all* the companies, and wrote *all* of the business? It seems to me that this is the ideal condition, and the sooner we return to it the better for all concerned. In some places, the list of fire insurance agents is practically a directory of the town. In the smaller ones it seems that anyone owning a house and barn and a few out-buildings can obtain the commission of some company or its annex, in which to write his risk and save 15% of the premiums.

The present unsatisfactory condition is partly the fault of the companies, and partly due to the habit of some pioneer agents in playing heavy favorites. It is only in the largest of our agency points that an agent can do justice to himself and to the business by declining to represent more than a single office. It is refreshing to go into New Mexico, for example, and find four agents in a town of 12,000 people,

after having visited some California village of 1,500 inhabitants, forty-six of whom are insurance agents, and immediately surrounding the latter, you will find agents at every cross-roads and flag station, with perhaps an intervening farmer or two thrown in, to make an average.

THE MODERN SPECIAL AGENT.

Gentlemen, not long since a very excellent publication had a fling at the modern special agent, and suggested this meeting as an appropriate operating room for his dissection. I do not believe that this is a suitable time for the discussion, nor are we the proper parties to make our defense. Let me say to you, managers and special agents, in joint assembly, that the field man is very largely the product of the office employing him. Managers *have* been known to make mistakes, and unintentionally send out an unworthy representative. But usually in these cases the latter's days on the road have been few and his obscurity enduring. If an office wants only lightning solicitors for special agents, it will probably obtain them. If trickery and deceit enter into the policy of a general agency, these qualities will sooner or later develop in the specials who represent that office on the road. If slipshod and careless office methods prevail, you will find a corresponding lack of caution and accuracy in the special agent. Give your special your education, illustration, and approbation, and you'll have no reason to complain of him.

Did you ever go back to your old high school after the lapse of many years and find how small and juvenile the average scholar of modern times has apparently become? And yet the unimpeachable records will prove to you that the average age and stature in this same school are practically the same as when you and I attended. And, conversely, we might say that some men who appeared very big to us when we were boys didn't seem half so impressive after we were grown up.

(Applause.)

The President—Are there any remarks to be made upon the subject of Mr. Hill's paper? If not, as it is now fast reaching half past twelve, we will take a recess until two o'clock.

Afternoon Session.

The President—I shall call you to order rather early this afternoon, gentlemen, as I have just been informed by Mr. Farnsworth that he has an engagement. We will therefore have the pleasure of listening to a paper entitled "The San Francisco Fire Department," by Mr. Farnsworth.

THE SAN FRANCISCO FIRE DEPARTMENT.

E. P. FARNSWORTH.

When the President asked me to write a paper for this meeting I appreciated the honor and promised to give him my views and ideas upon the subject, "Do Freights Depreciate?" Like many of us, I put the matter of writing off until the last minute, and when I did take it up, found the subject had been most excellently presented by Mr. Spencer for the meeting in 1899; and as no point in my judgment was left open for discussion in his treatment of the case I simply endorse his views and change my topic to that of "The San Francisco Fire Department."

Your President is responsible for this paper and the subject. He insisted upon having something, and while perhaps it may not interest some of you who are familiar with the department and its workings, it may be of value to others engaged in underwriting and residing at distant points, to hear in a brief way a little history of our fire fighters and their apparatus.

SINCE 1895.

Important improvements and increase in the department seem to date from the time of the Brannan street fire, June, 1895. We all remember that afternoon of the 27th; few of us ever expected to see any portion of the southern end of town above ground the next morning. Water was scarce, the wind strong, the fire fierce; but by almost superhuman efforts, untiring energy and numerous acts of heroism and bravery, the department proved itself master of the situation, and when night fell all danger was past.

This fire made us realize that a better water supply and more fire apparatus was necessary. Since then improvement has been rapid

and today we enjoy the protection of a fire department second to none in the world. It is as near perfect as can be. In Chief Sullivan we have a man to the "manor born," a man of wonderful judgment and quick action, a man who commands the respect and admiration not only of the department but of all the people, and I may add especially the Board of Fire Underwriters, whose large interests require the service of such a man.

Personally, I think the department is too good. I speak from a selfish standpoint, however, for the reason that a man in my business if depending on the adjustment of fire losses in San Francisco would starve to death. Fires seldom amount to much, and damage by water is reduced to a minimum. When the fire department and fire patrol return from an alarm the usual report is, loss on building none, loss on contents slight, if any. Fortunately for us it is not so in other places; we have a wide field to range over. A fire giving a 50% loss in Los Angeles, Sacramento, San Jose or other Coast cities, would give a 5% loss in San Francisco in most every instance. This is because we have men of greater experience, more knowledge of the business, better apparatus and the best general.

THE FIREMEN.

A fireman must be born such, and well trained, before he becomes proficient in the business. Of the half thousand men in the San Francisco department very many of them have been fighting fires since they were boys. Their bravery is often the subject of comment. Not one of them would hesitate a moment to risk his life in the discharge of duty, and yet few of them are killed or even seriously injured. Chief Sullivan and his assistants make it a rule never to order a man where they won't lead.

The old volunteer department was organized, I think, in 1851, and went out of existence in 1866. The paid department was organized September 22, 1866, and the full paid department was organized under the new charter February, 1900.

APPARATUS.

The apparatus used at the present time consists of:

- 37 Steam fire engines,
- 36 Hose wagons,
- 1 Combination hose wagon and chemical,

- 9 Hook and ladder trucks,
- 7 Chemical engines,
- 1 Water tower,
- 2 Monitor batteries;

and in addition to these there is held in reserve for relief purposes :

- 14 Steam fire engines,
- 17 Hose wagons,
- 1 Combination chemical and hose wagon,
- 3 Hook and ladder trucks,
- 2 Chemical engines,
- 2 Water towers,
- 2 Monitor batteries.

The department has no fire boats such as are used in many seaport cities in the East. A light draught, high power boat, of good speed and large pumping capacity would prove of great benefit to shipping interests and water front property.

MONITOR BATTERIES.

The monitor batteries used by the department are a home invention and product. San Francisco is the only city in the world using them. They are very important pieces of apparatus, as, owing to the size of same and their lightness in weight, they can be operated in places where it would be impossible to use the water towers. They can be worked effectively as high as the fourth story of a building, and are capable of throwing a solid stream 250 to 300 feet, according to pressure used. Capt. H. H. Gorter, a member of the department, is the inventor of the new water tower, which was wholly constructed at the machine shops of the department, under his supervision. This machine must be seen in action to be fully appreciated. It is simply wonderful. Chief Sullivan and Captain Gorter claim it is far superior to any of a similar nature now in use. Its principal advantage over its predecessor, which was also a local product, being its extreme scope and easy manipulation. It can be extended to a height of about 80 feet, and when thus extended is capable of throwing 1,200 gallons of water per minute in any direction or at any angle desired.

HYDRANTS.

At the time of the Brannan street fire in 1895, there was in service

2,327 fire hydrants. Since then the annual increase has been as follows:

1895	501
1896	488
1897	163
1898	146
1899	107
1900	25
1901	52

making the total number of hydrants in service at the present time 3,809. All hydrants are set by the Spring Valley Water Company at a cost of \$40 each. Of those now in use 2,804 are single and 1,005 are double.

WATER SUPPLY.

While the fire department is almost perfect, there is room for improvement in the water supply. In many streets of the business and hotel districts the mains are too small to meet the draught that may be made upon them in case of fire. In certain outlying parts of the city which have developed in the past few years, there are no mains at all upon which hydrants can be placed. The amount of water used by a first-class steamer, working under full pressure, is about 1,000 gallons per minute. It is therefore evident that when eight or ten engines are drawing from the same source the supply would soon become exhausted.

MAINS.

The total number of miles of pipe in this city, supplied by the Spring Valley Water Company, is about 385, the length and different sizes being:

	miles	of	3-inch	mains
4½				
61	"	"	4	"
112½	"	"	6	"
114	"	"	8	"
1¼	"	"	10	"
40	"	"	12	"
20	"	"	16	"
4½	"	"	20	"
8¼	"	"	22	"
3½	"	"	24	"
10½	"	"	30	"
1/5	"	"	33	"
2½	"	"	37	"
2½	"	"	44	"

In addition to this, the Olympic Salt Water Co. supplies 4 miles of 16-inch pipe and $2\frac{1}{2}$ miles of 12-inch; also several miles of 4 and 6-inch mains, upon which there are 30 hydrants set. The Visitacion Water Co. supplies several miles of pipe in the southern portion of the city, chiefly 4-inch mains.

Each truck company in San Francisco is fully equipped with "Pompier" ladders and life saving nets. The members of the department receive instructions and drills in life saving at the drill house daily.

The Underwriters' Fire Patrol, under command of Capt. J. F. O. Comstock, is a valuable auxiliary to the fire department. It consists of two stations, located in central parts of the city.

The fire marshal is appointed by the fire commissioners upon the recommendation of the board of directors of the Fire Patrol. His duties are to investigate the cause of all fires, make arrests and prosecute arson cases; also to issue special permits. The expense of the Fire Patrol and fire marshal are paid by the underwriters.

During the calendar year ending December 31st, 1901, the total number of fire alarms in San Francisco were 1,164. Of this number 656 came from street or automatic boxes; 508 were still alarms, turned in by the police, milkmen, telephone, etc.

All members of the department are appointed by the commissioners, and are under "civil service rules." When they reach the age of retirement they are put on the pension list under half pay. The board of fire commissioners are appointed by the mayor of the city, and represent equally each of the political parties.

(Applause.)

The President—I am sure Mr. Farnsworth's paper has proved a very interesting one. It has been prepared from statistics given him by the chief—and I want to say in this connection that Chief Sullivan of the San Francisco Fire Department had prepared an exhibition of San Francisco's famous water tower for this afternoon, but, owing to the inclemency of the weather, I take it upon myself to call the exhibition off. Chief Sullivan desires me to say, however, that he will be pleased to afford facilities for any of our visitors to inspect the various departments under his supervision, and so I trust that those from out of town will take advantage of his kind invitation. We will now listen to the reading of a paper on "Inspection," by Mr. T. C. Shankland.

INSPECTION.

T. C. SHANKLAND.

In preparing this paper I have confined myself wholly to generalities, under the heads of "Purpose and Importance of Inspection," "Value of Inspection" and "Efficiency of Inspection," as time allotted forbade any attempt at the technical and statistical features of the subject.

PURPOSE AND IMPORTANCE OF INSPECTION.

The purpose or object of inspection is to detect and measure the hazard that exists in the property insured. To do this accurately requires a brilliant mind, keen of perception and burnished to a greater brightness by the broad experience of an expert adjuster, practical chemist, skilled electrician, mechanical engineer, manufacturer and mathematician.

The hazard is the raw material price of fire indemnities, and the ascertainment of its actual worth is a most potent factor in successful underwriting. To clearly elucidate its importance it should suffice to cite that upon it there is pledged over \$300,000,000 of American capital. For protection against the loss contingent upon it, the American people in the past decade have paid to sixty of the millionaire insurance companies over \$963,000,000, out of which these companies have, in the ten-year period, realized a profit of only 2½%. This indicates clearly that mature judgment has reached the extreme limit of discretion, or too much risk has been assumed upon ignorance or neglect. The fire hazard is constantly changing. The inventor, the chemist, the scientist, are one immense intellectual workshop and laboratory, creating and unfolding new devices, chemical combinations and scientific facts which are thrust upon the commercial world in multitudinous commodities, and to keep apace with these, their installation and effects in the hands of the inexperienced public, is an important knowledge which can only be obtained by constant watch over the risk assumed.

VALUE OF INSPECTION.

The intrinsic value of inspection depends when, by whom and how thoroughly it is performed. Inspection made after completion of a structure by the most competent inspector would fail to reveal the dangers of faulty construction. Hence, a constant watch over the work of buildings in course of erection is essential in the true measure of a fire risk of every class. Defective wiring, flues and heating apparatus are not visible after completion, so time of inspection is most

important to the risks assumed upon every building and its contents, during its entire existence.

Upon the competency or incompetency of the inspector depends the value of his opinion as to the measure of the hazard. He who is efficient in electricity only cannot intelligently determine the latent risk in mechanical construction and installations, chemical action, smoke and water damage, operation of low insurance to great values, and the interpretation of policy forms; hence the fund of knowledge of the inspector cannot exceed the importance of his work. The most competent will render service of little value unless it is performed in a thorough manner. It is practically useless to pass through the stores and hallways of a mercantile establishment and not visit the cellar, the garret, the roof, the back yard, and scrutinize the closets and store-room. Even the whole will only afford detection of visible defects. The walls may contain currents of liquid fire, and the merchandise account, sulphuric sparks of rascality, which, if not revealed, renders the inspector's favorable opinion valueless.

EFFICIENCY OF INSPECTION.

How to obtain the most efficient inspection is a question that has had the serious consideration of careful underwriters for years. Present methods employed are individual and co-operative, both of which have their virtues which are difficult to unite, and their short-comings, which are hard to jointly overcome. Individual inspection affords a prior knowledge and acquaintance with the risk that is most desirable to the special and adjuster after a fire. It gives opportunity to compare former opinion and computations with actual effects. These experiences mold the underwriter. A moral hazard is frequently detected in a former fraudulent claimant, or by character reading, which every cautious special and adjuster never fails to cultivate. It gives greater opportunity to identify the company with its patrons, which is desirable. It also often times inflicts the careful underwriter with embarrassments or loss of risk for his insisting upon removal of discovered defects. This is avoided when the inspector represents the interests of all from whom insurance may be obtained. He can steadfastly insist upon the correction, unembarrassed with personal or individual company interests.

Co-operative inspection has proven satisfactory, where ever tried. Its general adoption in cities and the larger towns doubtless would prove it to be the most efficient and practical method. Its favorable features, as now conducted, are those of economy and thoroughness, which

embrace the benefits of technical and specialized knowledge. These great advantages are effectually exemplified in the annual reports of the Underwriters' Inspection Bureau of this city. That of 1901 shows that a total of 29,185 buildings, special hazard and electrical inspections were made and 10,378 improvements effected at a cost of 44/100 of 1% of the city premium receipts. Since its organization in 1885 the preventable fires have been reduced from 29% to 5.7%. Without serious difficulty, the correction of 97% of all complaints is effected. Only a single reflection is necessary to perceive how the economic attainment is reached, as one man does the work of many, if individually performed. To comprehend the true worth of the services of this institution, one must remember that all prior reports, from time of the erection of a building, are kept and brought forward each year on re-inspection. Whole blocks are covered, uninterrupted, each risk taken consecutively. All minute parts of each risk are examined, construction and occupancy noted and correction of defects insisted upon. Changes and installation of new features from time to time, are watched and supervised. If a comparative record of the amount that all companies have at risk in the inspected district were available, doubtless the good work accomplished could be noted in the loss ratio as the premium receipts and loss ratio of the past year (with its congested renewals) and that of fourteen years ago are almost equal, while the amount at risk must be millions more, which demonstrates a largely decreased premium rate.

Should this method be adopted and a special inspector located in each town, much valuable data and improvements could be obtained that is entirely overlooked under the present system. If the loss hazard involved in comparative insurance to property value, smoke and water damage (a knowledge of which is only gathered by the experience of adjusting), could be carried into the considerations of the inspector, it would render co-operative inspection almost ideal. The qualifications essential to fairly efficient inspection are a keen and perceptive intellect, persistency of purpose, diplomacy, broad experience and proficiency in the numerous details involved; but he who can accurately measure the fire hazard is worthy of a seat near the pinnacle of the profession, with a title that begins with a "P," and should not be expected to give a pound of brains and experience for an ounce of flesh.

(Applause.)

The President—Are there any remarks upon the subject of Mr. Shankland's paper? We are certainly indebted to Mr. Shankland. I want to say further that it was only last Saturday that I asked Mr. Shankland to prepare this paper for us, as one of the members who was to write on practically the same subject was unavoidably obliged to disappoint me at that late date. The next paper is one by Mr. Edmonds, who is the resident secretary of the Commercial Union, in the so-called mountain district, which includes Colorado, Wyoming, New Mexico, and the Dakotas, on the subject, "What Will the Harvest Be?" The paper will be read by Colonel Kinne.

WHAT WILL THE HARVEST BE?

J. F. EDMONDS

I read a short time ago that 10,000 requests were sent to as many persons asking "What is the most hated word in the English language?" A majority of the replies came, "Woman." Now, we all know that this is a misnomer, and we doubt not if the question had been asked, "What is the most loved word in the English language?" the answer would have been "Woman." We sometimes shut our eyes and try to make ourselves believe that we cannot hear, or, that our eyes being closed, others cannot see.

We know that the true principle of success is based on doing what is right, on following correct practices, and on the result of experience. We are told, "Whatsoever a man soweth, that shall he also reap." If we believe this admonition, we should carefully select the quality of the material that we plant in the insurance business, considering the fact that the historic mustard seed did not increase in greater proportion than does the premium we receive on risks to the liability we assume, which in every instance should be treated as a possible loss. The experience of the past few years is apt to make us feel that the seed has been tampered with, the soil worn out, the irrigation defective, and the harvesting apparatus out of date. We are compelled to investigate very closely all of these different elements which tend to affect the harvest of profit.

CHANGE IN ALL BUSINESS.

There are no more changed conditions in our business of today compared with fifty years ago than there are to the agriculturist, whom we have taken as the original producer. In primitive times, when the steel plow, the cultivator, and the threshing machine were unknown, the farmer managed to thrive with his home-made plow, drag, and flail. And when inventive genius presented the more modern implements for his use, competition also appeared, and, though a larger yield was had, the cost of production was proportionately greater, and the net result was not in accordance with the increased volume. Then the years of drought, pestilence, chinch bug, and kindred obstructions came to discourage the hard-working, early-rising son of Adam. Yet he knew no other business, and of necessity trudged on when an occasional year of good crops and good prices gave him courage to continue his vocation. I think we in the fire insurance business can learn no better lesson than that of the farmer and the experience he has had in success and failure.

In the early days of fire insurance we had not encountered the many complex questions and hazards that now confront us. The wiles of men, the inventive genius of electricity, acetylene gas, gasoline stoves and gasoline lamps, had not been presented for our observation, consideration—and damnation—these new inventions and hazards that are contributing so largely to the destruction of our profits and the increase of our expenses. To avoid them is the thing that will eventually weed out not only the companies weak financially, but those whose officers and managers do not keep abreast of the times and cope successfully with the new problems.

THEY USED THE FLAIL.

Of the companies that have gone out of existence within the past few years, a large number was using the old style plow, harrow, and flail.

The years of drought in our business, being the years of unusual losses, are discouraging, and it requires not only the pluck and perseverance of everyone connected with the business to stop every leak and to build extra reinforcements to withstand all of the new-fangled contrivances to make fire insurance more desirable, but it also needs the confidence of the stockholders of the companies, who in many instances know nothing of the insurance business except the results.

I do not believe that the business of fire insurance is a failure if managed properly in every detail, from the president of the company to the office boy, any more than the business of farming can be called a failure because there were years of loss from hail, drought, and other causes.

Most of you can remember a few years ago when each day we watched the papers to see if there had been a fire in Milwaukee (there usually had been), and that Philadelphia for two years gave us a shock nearly every day by the burning of a few blocks, and that Chicago, always at the front, never outdone by Milwaukee and always ahead of good old Philadelphia, was trying to show the world that she had not forgotten the days of Mrs. O'Leary's cow. Many other cities have shown their proficiency in advertising themselves and our business, and then for a few years have settled down and become normal in their loss ratio.

PROFIT IS IN THE SAVINGS.

I was talking recently with a gentleman largely interested in the rubber business, of the increased demand for this article which has so many new uses. He told me that the unusual demand for rubber had made it necessary for the passing of a law in Brazil preventing the girdling of the rubber trees, which had been the quick and easy manner of securing the product. This caused me to think that possibly we had been girdling some of our sources of income, or not looking so closely to the waste problem as we should. The profit today in most kinds of business is the savings. The packing-house could not pay such dividends if it did not make soup, pepsin, sausage, and the other by-products.

A chemist acquaintance of mine, formerly an assayer for a mining company at Deadwood, was taken to Chicago by one of these large packing companies, to fill a position in its chemical laboratory. A banquet was given him by his friends and old associates. I remember the remarks of one of the speakers at that banquet, to the effect that chemistry now entered into so many articles of commerce, and by its aid so many uses were made of elements formerly lost, that he had no doubt but that the honored guest would be able to transform the squeal of the hog into sweet music that could be used for Italian opera.

The successful insurance man of today must have qualifications sufficient to make him a success in any line. He should have a knowledge of finance sufficient to hold the highest position in banking. He should be sufficiently acquainted with all kinds of mining to determine the good judgment and probable success of the different methods

of treating ores; the advisability of building a flouring mill in some undeveloped farming section; a cotton mill remote from the cotton fields; a woolen mill where no sheep are raised; a glass factory where the sand must be shipped a long distance; a soap factory where the freight rates are discriminating; in fact any and all problems of this kind. He must be able, also, to detect the most salient points in the character of his agents. Most men have some particular characteristic, and the ability of learning what this is and acting upon the knowledge received aids in securing a good agent and avoiding a poor one. This is a day of advancement. Strong men, men of intelligence, thought, and fearless, upright actions, are needed.

There is a great howl about trusts, combinations, and the centralization of capital, and the doing away with the dealer who must work for the department stores, etc. There never was a time when men of worth could get as good salaries as the present. An interview with the general manager of the Metropolitan Railway of New York, published in "Success," reports that gentleman as saying he would prefer paying one man ten thousand a year rather than ten men one thousand dollars a year to do the same work. Many of the men who are driven out of business and obliged to work for the large concerns are better off, as they were not a success working for themselves.

There never was a time when the necessity was so great for the protection we have to sell, nor when the public was so ready to admit that unjust and burdensome laws have been aimed at us with malicious intent.

During the past few years of prosperity, in nearly every other line of business, prices have steadily advanced, while our rates have been hammered down below cost. Now is the time to advance rates. Insist upon proper forms and limitations of privileges which we have been giving away, and get a proper return for our contracts.

Not until recently could a word be heard in our favor from anyone outside of our business, but the governors of two states have, in their messages and official documents, pleaded our cause as a just one. The people are beginning to recognize the necessity for insurance, and that not all of our income is profit.

What greater calamity could befall the commercial world, or what would more quickly cause a panic, than the withdrawal of fifty of the leading insurance companies at one time? The public realizes this fact today more than ever before in the history of insurance.

The soil is receptive and the seed is in our hands. If we plant wisely and cultivate well, the harvest will be rich and abundant.

(Applause.)

The President—I had some difficulty, gentlemen, in getting Mr. Edmonds to write the paper on “What Will the Harvest Be?”—had to importune him quite a good deal. But I think you will all agree with me that it was well worth the effort. I will now call upon Mr. DuVal to give us his paper upon “Electric Service From Trolley Lines.”

Mr. DuVal—This is something, Mr. President, with which I have had some experience, but no technical knowledge whatever.

ELECTRIC SERVICE FROM TROLLEY LINES.

W. S. DUVAL

At the time our insidious President asked me for a paper to be read before your honorable body I had just returned from San Jose after a long drawn out and devious conflict with the trolley railroad lines, in which the insurance interests had effected some gains, mainly through the splendid assistance of Professor Cory and his report upon the hazard of electrical connection with grounded railway circuits.

Upon informing Mr. Dornin that I had slept, eaten, lived and dreamed in a halo of 500 volt trolley circuits so long that for the time being I was useless for any ordinary proposition, he said “Good, tell us all about it.” Rashly I promised and have since more than ever realized the old saw, that “The farther you go, the less you know.”

I found on looking back over the proceedings of this Association in search of electrical matters, a task made easy by the index initiated by Mr. Folger, that from the time Carpenter started the ball rolling in 1882, up through Van Ness, on liability, and along the admirable papers of Low, there was nothing about trolley circuits leading up to the diversion of their electrical power from the ordinary work of running cars, to their unauthorized operation in supplying power for elevators, for motors in all the branches of art and science, and for lighting purposes through use in incandescent globes.

Before I determined to back down incontinently on the subject and present my excuses to the President, the idea came to me that it is not

an unmixed evil for an amateur to cross the danger line drawn by experts about their art, and to tell just how their methods, when brought face to face with practice, strikes the ordinary observer. There is no doubt but that many times we are quite sure we understand the why and wherefore of a subject, but make a lamentable failure when we try to tell some one else just how it is. Several times after a "heart to heart" talk with Professor Cory, I have felt that the theory of electrical phenomena as connected with trolley circuits was an open book to me, only to find myself coming down with a dull thud when I started to give a lucid explanation to some one else. It would seem as though it was not only necessary to find the right teacher, but that the process of the cultivation of the mental soil for receptivity for words of wisdom must have careful consideration. Whether, therefore, this account of my pursuit of knowledge under difficulties will make the subject any clearer to you, or not, at least the troubles of one mind in grasping the subject will put you either on the right path to comprehend it, or warn you from the mistakes of one who has not yet found the light.

My first contact with trolley circuits, to use an electrical phrase, was when I found one running an organ in Oakland. It was a musical organ—not a political one. For the latter I can refer you to our worthy President, whose labors in the city council qualify him as an expert. The organ was and is located in the Masonic building. The reason they used the trolley circuit to run a motor to pump the bellows of the organ was the fact that even Masons die, and must be buried to slow music, and the ordinary lighting circuits which could be used are, or were, shut off in the daytime. The wire from the trolley line came in through the window of the second story and hitched on to the motor. The lesson in motors begins right here. If the wire which carries a pressure or tension, usually called current, of 500 volts, stopped at the motor there would be no action. It would be as if you plugged up the outlet to a turbine wheel. The wheel wouldn't turn. Or as if you drove a plug in the opening of a hose nozzle; the pressure would be there, but you would get no results. To start the machinery in motion you have to make a connection which in some way will make a circuit back to the machine where the electricity is generated. It is just as when you open up the sluiceway of a water-wheel, then the water takes on motion, rushing off to sea level to be raised by natural causes to again fill the lake or reservoir and repeat its work. Now, the way they did this with the electric wire was to fasten it to the water pipe of a wash basin in the corner of the room, and, as the pipe went into the

ground and the electric tension was relieved, the motor spun around on its axis, communicating motion to geared wheels, which operated the organ bellows.

THE TROLLEY CIRCUIT.

This process of completing a circuit is typical of all we have to say about the trolley circuits, only sometimes we found the out-going wire fastened to a gas pipe, and sometimes taken directly to the ground and buried in the earth. In the Oakland incident, which happened some two years ago, the best we could do at the time was to have the return wire taken out and down to the railway track, something which does not cure the evil in any way, and is not countenanced. To constitute the ideal and necessary method for operating an electrical station for light or power, the generating machine must not connect with the earth at all. The electric tension or supply is gathered up by rotating coils of wire between ingeniously arranged magnets. This supply of electrical energy is taken away or communicates itself to an insulated wire and goes out for its work of light or power. This work finished, another insulated wire completes the circuit back to the generator. It is the old endless chain, the flowing water in the pipe. With the electric trolley road, as we all know, the power comes to the motor which runs the car by the trolley wire, and out through contact of the wheels to the rail, and so back to the generating machine. Supposedly it follows the rails, which are carefully bonded and set closely together. As a matter of fact, in most cases the amount returning is so large that water pipes, gas pipes, etc., are brought into use as conductors, and all the troubles of electrolysis appear, constituting an important and difficult problem for the immediate future.

AT SAN JOSE.

Now, at San Jose we found an alarming state of affairs. The trolley railway companies, finding dividends difficult from the passenger traffic, had entered upon the business of supplying the citizens with light and power on a wholesale scale. All of the office buildings had electric elevators; also the hotels. All the restaurants had small motors to run fans to blow the flies from the viands and the citizens. All the foundries were running machinery. All the doctors' X-ray machines and electropathic apparatus. In one building, the Porter Block, five doctors patronized the trolley, a grocery store ran a coffee grinder, and a druggist had banks of lights rivaling the Buffalo tower. In fruit packing

houses, the graders were run by trolley electricity, and in feed mills the rolls. The railroads in fact were doing a land office business, and the electrical circuits were tailed away through the conductors nearest at hand. In the beginning, the city authorities were invoked to enforce the law, their attention being called to the fact that the National Board rules, which they had incorporated in the law as an ordinance, forbid grounded circuits. They promptly repealed that part of the law. The authorities were warned of suits for damage in case of fire from such cause. They said they would take the chances.

The practice continued, and was on the increase by reason of the arrival at San Jose of the wires of the Standard Electric Co., bringing cheap power from the mountains, and making the margin of profit still greater than when the railroads ran their own dynamos at their own power houses. An increase in insurance rates worried the agents, and finally the application of a non-liability clause worried the citizens. At this point the effect of moral suasion was brought to bear upon the assured, together with a rigid enforcement of the waiver clause. Through the fortunate selection and employment of Professor Cory of the University of California as consulting electrician to the Board, we were able to obtain an opinion from the highest source of the advisability of the practice of using grounded circuits. Professor Cory's circular letter, while brief, compassed the entire field, and, while condemning the method unhesitatingly, put the case in such shape as to appeal to the understanding of any reasonable man.

The pressure from this source was so great that the representatives of nearly every large estate in San Jose joined in a letter to the railroad companies, demanding that a return and ungrounded circuit should be furnished. The response of the railroad companies was immediate and unequivocal, but they wanted time to make the change. By this time, however, the companies had become thoroughly aroused, and several prominent companies demanded of their agents the immediate cancellation of all policies where the trolley circuit was in use. The attitude of the Electric Improvement Co. had always been favorable, and, in conjunction with the First-street road an arrangement was made for the temporary use of suitable machinery. The railroad put on steam and strung the wires needed, and the deed was done.

"GROUNDS."

Those who have carefully read Professor Cory's pamphlet on the subject will notice the reference to grounds from a metallic circuit and

grounds from a circuit where one leg—the hind leg, so to say—of the circuit, is permanently grounded, as is the case with trolley circuits. This matter of grounds was always mysterious to me, and may be yet. Still, one may see how a single ground or accidental contact would be dangerous immediately in the grounded system, there being already one ground or contact, while in the entire metallic circuit one ground cuts no figure until a corresponding ground occurs on the other wire of the line.

The favorable termination of the San Jose incident is fortunate, in that it makes a precedent and has thoroughly demonstrated the trolley circuit hazard. That the accidents were few during its continuance is due to the excessive care taken in the placing of the wires, and the fact that time and deterioration had not obtained their opportunity.

As a matter of fact, the grounded circuits from the trolley are not satisfactory in operation. With a surplus of power, the effects of varying load as the motor cars take on and cut off power, are not so noticeable as when the cars are using most of the electric tension. Even at San Jose, however, the service now given by the metallic circuit, entirely independent of the trolley line, is much more satisfactory than the old method.

CURRENT IS A MISNOMER.

It may be noticed that I have avoided speaking of electric "currents" in regard to electric service. My reason for this—and I advance it with an apology to our electrical experts—is that even with my limited acquaintance with technical electricity, I lean to the opinion that the term "current" is a misnomer. The state of tension or pressure or vibration which renders possible electrical energy seems to me something entirely different from a current, which implies something which flows as water through a pipe. The waves produced by the dropping of a stone in a pool are not currents, though the successive ripples reach the shore. The condition of tension which, having been excited or set up in a dynamo, and which is communicated to the wires leading therefrom, does not appeal to me as a current of anything. A condition, surely; then why not call it a condition? May not the term "current," while we have no physical foundation for such a phenomenon, be a bar to progress towards the solution of the problem of electrical universality? The word and the idea seem to me empirical, and as conveying a false impression of this extraordinary fact in physical science. Electrical conditions are everywhere. Every movement creates some sign of the

phenomenon, and, as light, heat, and electricity seem woven in and out of our entire existence, whether the conditions of each or all are vibratory, as would seem most likely, or not, their existence as a state or condition is to me more reasonable than to consider the one at least as a current flowing in certain lines or through certain conductors.

The thought is perhaps foreign to the subject matter of this hastily prepared paper, but as I must again ask the indulgence of our electrically expert members for intrusion upon their domain, I trust they will forgive this additional imposition.

(Applause.)

The President—Is the Committee on Adjustment of Grain Field Losses ready to report?

Mr. Sexton—Yes, Mr. President, the majority of the committee is ready to report.

The President—Very well. We will listen to your report.

REPORT.

Your committee on Adjustment of Grain Field Losses beg leave to report that the Supreme Court of Iowa in the case of *McIlrath v. Mutual Hail Assn.* held:

“In an action on a policy insuring growing crops against damage from hail, the loss in bushels, valued according to the market value, less the cost of maturing, harvesting, and getting to market, may be shown as indicating the amount of loss, where no evidence of additional elements of damage is introduced.”

And following this decision and also the customs of the companies on the Pacific Coast in adjusting field grain losses, we hold:

That the loss to the insured on a whole crop is the value of such crop in the nearest warehouse, less deductions for all expenses of harvesting and delivering the crop at such warehouse.

That the loss to the land owner insured is the value of his share of the crop delivered in such warehouse or at such point as may be agreed upon with the lessee, less any expenses (cost of sacks and or delivering) that may have been agreed upon between the land owner and renter.

That the loss to the renter is the value of his share of the crop in the warehouse less cost of harvesting and delivering all of the grain to the warehouse under his agreement with the land owner.

WILLIAM SEXTON,
W. H. LOWDEN,
CALVERT MEADE,
F. G. ARGALL.

The President—Does any member desire to make any remarks upon the subject of the settlement of grain-field losses, or take exception in any way to the report of the committee as read by Mr. Sexton? Have you anything to offer, Colonel Kinne?

Mr. Kinne—No. I am in accord with the report.

Mr. Sexton—I desire to say, Mr. President, that Colonel Kinne generally agrees with me—when he thinks I am right.

The President—Mr. Folger will now read to us the paper by Mr. E. W. Carpenter, on "The Pleasures of Being in the Business." Mr. Carpenter is one of the "Old Guard." The paper was written, as the writer says, "beneath the shades of the waving plumes of South Sea Island palms, in far-a-way Tahiti."

THE PLEASURES OF BEING IN THE BUSINESS.

FROM AN EX-MANAGERIAL STANDPOINT.

E. W. CARPENTER.

"You may say all you like about old Satan, but I wish we all had the Devil's perseverance."

This quotation, indicative of good qualities discoverable in the worst things, has, of course, nothing to do with underwriting, past, present or prospective, but the old woman's remarks just occurred to me when deciding to call your attention to a lot of things you already know (if you only stop to think about them) concerning the pleasures of being an insurance man.

In the past you have (not without my assistance) had so continuously rehearsed the trials of your calling, that the pleasant features

have been generally overlooked. Having now been eight years "retired," I can look back and appreciate these features as but few of you are now doing,—look back much as the man looks back upon his boyhood days,—looks back and remembers the yellow-winged butterflies that he chased through the fragrant clover, and the bright little buttercups that tickled his tiny bare feet, much better than the mosquitoes, the poison ivy, and the rocks that bruised his toes.

And so, while I cannot hope to add to your knowledge, I may, by underlining a few facts already known to you, make you better content with your profession, put you in a better frame of mind to do enthusiastic work therein, and so bring as much good into the business as would result from a discourse on the "Prevention of Rebates," "Evils of Excess Commissions," "Bad, Eccentric and Toggle-jointed Faith," and kindred subjects.

A dozen years ago, a capitalistic friend, living leisurely upon his interest income, envied me because, he said, "You have a position among men, while I am 'nothing to nobody.'" A few weeks since, when for the first time in four years, I swirled up Market street with the scurrying tide of ferry *debouchants*, I had much the same feeling of "nothing to nobody." I could not suppress the reflection that, but a few years before, I had been a part of this life, a factor in the business activities of San Francisco; had helped to make "the wheels go round." My name, in gilt, had appeared on several plate glass windows; without guilt on the complaint slips of my competitors; on the lists of leading committees, and on tons of blotting pads; while now,—well, it was like the experience of one who, after years of absence, returns to his birth-place to find himself discountenanced in his old home, and to see how well the little world of his nativity gets along without him.

HELPING TO RUN THINGS.

And so, looking back from the ex-managerial standpoint, the greatest pleasure pertaining to being in the business seems to be that of feeling that you are helping to run things; that you are accomplishing results; that, irrespective of any stakes that may be won, you are playing the game and showing your ability to take the tricks.

Closely allied to this pleasure is that of daily contact, made necessary and reasonable by your business, with your fellow men. I might say, made "excusable by your business," for (I speak from experience) one does not feel like taking up the time of another unless mutual business interests demand it, or if he does make a friendly call during

office hours, he feels in an apologetic mood until the interview is ended, —until he is outside the door, standing on the steps, and wondering where he will go next.

Business brings men together on an even plane; one is not trespassing upon the time of the other, and in the mind of neither party does the feeling of "hope I don't intrude," assert itself.

AT THE BUN RACKET.

And then, the lunch hour! It will always remain fresh and fragrant in my memory—the hour when, with Oliver Hawes (before he surrendered to pastoral allurements) or with Dornin or Sexton (before they were clubbed by Bohemia), I could visit the "Bun Racket" and we would indulge in "shop" gossip over baked apples and cream.

Now just think, for a moment, of this lunch-hour pleasure, and imagine yourself deprived of it by being out of business,—deprived of it because, having no interests in common with your present associates, you would be a misfit bore if you thrust yourself in upon them at a time when, with fellow insurance men, they would like to mix a little underwriting chaff with their gruel. Every day, when you go to lunch, just think of the fun you are having, and of the "lost dog" feeling you would have if deprived of the pleasant associations of the mid-day hour.

From one's daily business relations, as aforesaid, naturally spring those social friendships which, after office hours, promote informal calls, visits to the "best show," card parties, evenings of music and song, and the breaking of bread together around the family table,—seasons of contentment during which happiness seems to become a part of one's self, instead of a mere gilding of transient pleasure, as is often the case with those more formal functions which, like hot-house plants, are rather the result of society's forcing process than that of natural growth.

HELPING OTHERS.

And the agents! Probably I should have mentioned them first. Despite their human liability to make those errors which help to give the corrective manager his job, despite the fact that, as my friend Sexton says, "You do not find in them *all* the virtues for 15% commission"—is it not a pleasure to keep in touch with the hundreds of men that represent your office on the Pacific Coast; to appreciate the spirit of loyalty to your interests and to those of the company you represent, which, with rare exceptions, actuates them; to assist the new

agent, the dear conscientious one, that tries his best to attain proficiency, profit and prominence in his business; to watch his advancement; to rejoice with him in his success and to feel that you helped him to attain it.

A similar feeling pertains to one's associations with his office force, no member of which is precisely like the other or of an equal degree of proficiency. Often the most unpromising material, if accompanied by a sincere desire to improve, develops, with patient care, the most satisfactory results; and when, after watching and noting progress, you find the recipient of your advice and training beginning to be referred to as a promising underwriter, you put your thumbs in the arm-holes of your vest and, with all the self-satisfaction of our dear, departed friend, President Staples, say: "Oh, yes! One of my boys!"

The field men, the men whose good judgment selects the best material for agents, rejects the worst risks and so mingles mathematics and diplomacy as to make satisfactory loss adjustments; those men in whom must be exceptionally combined the traits of geniality, energy, tact, discretion and sense of justice; those men that have been recruited from the brightest of your office force or the most worthy of your agents; those men who make up the bulk of the membership of this organization, is it not one of the greatest pleasures of being in the business to be associated with them, to see the agency field blossoming and bearing an increased acreage of fruit as the result of their judicious pruning and constant harrowing, and to commend your own judgment in having selected them for their positions? There is no greater satisfaction pertaining to the business than that which a manager feels in seeing the "Specials" of his choice develop those qualities which he believed them to possess and which enable them to advance to the first ranks of the profession.

I once took a gentleman from his well conducted agency in an obscure country town, and made him, rather against his protest, a special agent. He said, "Really, I don't believe I am competent for the position."

"I am taking chances on that," was my reply, "Suppose you rely upon my judgment." He did, and without going fuller into detail, I may say he is now associated in the management of one of the largest all-world companies. To see succeed those whom we are able to help succeed, is one of the pleasantest features of the business.

"Absence makes the heart grow fonder!" Dare I (with the interlineation "irrespective of sex") apply this sentiment to the stenographic

department of the office? Oh, the wearisome manual penmanship after years of dictation! Well, it is like using a buck-saw after having spent one's younger days in feeding wood to a buzz-saw! The pleasure of having a good stenographer at your elbow, who becomes so familiar with your expressions that he or she can (like the zoologist who develops a complete skeleton from a few bones) anticipate your entire sentence from the introductory words; who, being told to give the usual answer, writes a diplomatic letter to an applicant for an agency in a field already, but perhaps not too satisfactorily, occupied; who spells your words so correctly and pointedly peppers your sentences so discreetly that when, with the pen as a pioneer, at the head of a trail of fluid ink, you attempt to blaze away for your ideas through a thicket of pot-hooks, you find your orthography unorthodox and your rules of punctuation empirical. Such a stenographer, who will look up previous correspondence, and correct your grammar, on occasion, is a delight that a man does not half appreciate until he retires from business and has to do both the mechanical and thinking part himself. After having dictated his letters for years, his thoughts come so much faster than he can transcribe them, that the hand becomes nervously anxious to make greater speed, and either the characters become a series of undulating scrawls, or else, if he attempts better penmanship, the sentence which so pleased his fancy becomes commonplace by having what was intended to be a forceful or ornate termination hopelessly dissipated and lost in the mechanism of up and down strokes, dots, dashes, crosses and commas.

THE CUSTOMERS.

We must not forget the customers, for there are those who don't tell you how much it is worth to carry their risk, and who, aside from their contributions to the re-insurance reserve, are a source of happiness to the underwriter. All of you have upon your books the familiar names of those whose policies you sign, year after year, with peculiar pleasure; names of those whose standing orders are to keep all policies renewed; of those who *believe* in you; who, without haggling as to policy forms and rates, rely upon your honesty to give them the most favorable terms. I hope you may not have betrayed their confidence by extending to them less liberality than accorded to those rate-hammerers whose eye has for you no friendly sparkle, but only the cold stare of business shrewdness, and whose risk is permitted "under special ruling," to be taken at a reduced figure "to meet non-board competition."

A good square total loss, where one does not have to strain his conscience in order to pay the claimant all he wants, is also a source of pleasure. Not but that one might become surfeited with this sort of happiness, still, to a limited extent, there is satisfaction in signing a check for the face of the policy, shaking hands with the departing customer, and in reply to his effusive thanks, saying:

"Not necessary, my dear sir! Only a matter of business. Just what we are paid for. *Always do it that way!*"

BROKERS.

The brokers. Perhaps you wonder if I can find any pleasure in them. Well, while they are not doing business on the joyful basis, and their transactions are not modified by any consideration for our enjoyment, these keen and quick-witted men are, personally, among the pleasantest gentlemen we meet. The same geniality that attracts to them their customers, makes them attractive at our counters.

CITY SOLICITOR.

The hard-working, faithful, city solicitor—the one who wants "to know why," who reports the figures his prospective customer says he can get, who thinks a new survey and rating should be made, he is just as importunate with his customer as with you; he doesn't have one disposition at one end of the line and another at the other, and that is the reason he gets business and becomes a comfort and pleasure to you. At the end of each year you notice the increasing volume of his business and combine your congratulations with your holiday greetings. The time-tried and faith-tested city solicitor, so enthusiastic on behalf of his company, so brimming over with satisfaction if he secures a choice new risk, not hopelessly despondent if he loses an old one, he contributes his full share towards the pleasures of being in the business.

HEAD OFFICE.

Among the greatest of pleasures is that of intercourse with the head office, for, after making due allowance for the flattering tongue of diplomacy which wags in harmony with that axiom about flies, vinegar and molasses, there *is* a substratum of sincerity in those commendatory words which, in most managerial experiences, so far overwhelm the queries and criticisms about trivial matters as to make the reception of home office correspondence an occasion for self-congratulation and contentment. To have your discretion eulogized because you lost "only

\$80,000" in a Seattle fire; to have your course heartily endorsed in connection with "Board" matters; to have your suggestions about lines, reports and increased office accommodations cheerfully acquiesced in, and to note, throughout, the evident desire of your principals to show you that they trust you and your judgment, and that they are neglecting no opportunity to say good words to you, all carry with them that happiness which inevitably accompanies the words, "Well done, good and faithful servant!"

The pleasure resultant from the investment of an income (derived from a business in which you, personally, take no risk) in the comforts, necessities and luxuries of life, is so self-evident that it needs only to be mentioned for the purpose of showing that it has not been overlooked.

NOT A GARDEN OF DELIGHTS.

From my brief notation of a few of the many pleasurable features of the business, it must not be inferred that I regard an insurance office as a garden of delights, or underwriting as a species of revelry; that the debris of a water-front fire is more awe-inspiring than the pylons, obelisks and colonnades of Karnak's ruined temples; that the policy-head vignette is more enrapturing than the dreamy marble mausoleum of India's Taj Mahal; that the leaning tower of Pisa, despite the name plate of an insurance company over its entrance, is less impressive than the monumental bias of a country jury in favor of the loss claimant; that the San Francisco broker, as a "perfecto," can outstrip the wholly unclothed holy man of Benares; that Norway's Arctic fjords, with their pink and purple edgings gilded by the midnight sun, are less magnificent than the great cuts made during a glacial epoch in the underwriting world; and that an environment of registers, reports, uncollected premium accounts and loss files is more fascinating than that of the waving South Sea palms, brilliant flamboyant trees and blossoming masses of the Bougainvillia vines under which I am writing at Papeete, Tahiti, this first day of February, A. D. 1902.

To induce you to appreciate, while *in* the business, those pleasures which I can more fully recognize now that I am out of it, and to thereby cause increased happiness and comfort to dwell with you, has been the object of this paper.

CONCLUSION.

It is fortunate that those advancing years, which demand lenses for one's eyesight, seem to furnish the mind with a reminiscent prism through

which visions of the past are thrown upon its retina in a transformation which changes the garish sunlight of earlier work-a-day life into a spectrum of pleasant memories, the few dark lines of which are swallowed up by the rainbow colors of happy incidents. The reflections of my underwriting career which come to me through such a prism, have for their brightest band of light that which throws its rays upon the incidents and friendships pertaining to this Association—an association upon the roster of which I am glad to be star-rated as an honorary member. In the natural order of events, not many years will elapse until, in your list of members, the crucifix, which now designates the departure of so many old associates, will stand at the head of my name. Until then, I shall bear the many acts of kindness of you, gentlemen, in grateful remembrance.

As you go out from this meeting, realizing more fully, I trust, the pleasures of being in the business, I hope your steps may be more bouyant, your eyes brighter, your hearts lighter, that you may resume your daily routine of duty more cheerfully than ever, and that contentment, in amplest form, may abide with you.

(Applause.)

Mr. George D. Dornin—I think, Mr. President, that those present will agree with me that it is a most excellent paper that Mr. Carpenter has sent us, and it should not pass with the single formality of placing it upon the files. I think Mr. Carpenter is entitled to a special vote of thanks. Probably some others of us will be on the retired list in due time, and I think the suggestions he has made in his paper come home to us of that class with exceeding force. I move that the Secretary draft a special vote of thanks from the Association to Mr. Carpenter for the excellent paper that has been read us to-day.

Mr. Folger—I owe you special thanks, Mr. President, for giving me the opportunity to read so delightful a paper. In past years there was no name which adorned the program of this Association's annual proceedings in a larger way than that of E. W. Carpenter. There are those of us, the younger as well as the older, who believed that Mr. Carpenter did not have very much of the pleasures of association which he so forcibly brings out in his paper. We, and I speak of myself as of ten years ago,

felt somewhat fearful of going into his office and taking up his time, and assuming that he had an interest in us. But we were mistaken. I believe, Mr. President, that Mr. Carpenter is wholly sincere in the sentiments which he has expressed, and the lesson may very well go with us, that managers who have responsibility and whose cares affect their faces and the tones of their voices are human, like the rest of the world. It is not often that we can have a message from one who has gone out of the business and seen the mistakes we make in the managerial chair, and it is more than delightful to have such a message and to believe that it is concurred in by all who are in positions such as he formerly filled.

The President—I heartily concur, gentlemen, with those who have spoken in regard to Mr. Carpenter's paper. You have all heard the motion, and I now ask your pleasure.

The motion was seconded and unanimously passed by a rising vote.

The President—The Secretary will take note of the motion and send appropriate word to Mr. Carpenter. Is the committee on Reinsurance Contract ready to submit its report?

Mr. Palache—It is, Mr. President.

The President—We will then listen to the report of that committee.

Mr. Palache—I wish to premise the reading of the committee's report with a few statements in regard to it. First, the Chairman felicitates himself upon the fact that his two associates showed a very unusual willingness to do all the work, and your Chairman demonstrated very unusual ability in letting them do it. In the second place, if, after hearing the reading of the report, you desire the form submitted to be read, you will find that we have had it printed. The committee disclaims any feeling by such act that they have demonstrated the need of this being put in lasting form, but in the actual work of revising and correcting the report from time to time, we found it absolutely necessary, and if the

recommendation of the committee is acted upon, it will be still further necessary to have it in some form in which it may be distributed.

REPORT OF COMMITTEE ON REINSURANCE.

SAN FRANCISCO, CAL., Feb. 20, 1902.

To the President and Members of the Fire Underwriters' Association of the Pacific:

GENTLEMEN:—Before taking up the presentation of your present committee's report, we think it would be of interest to give a brief review of the efforts that have been made in the past by this Association to consider the question of the adoption of a reinsurance clause that should remove occasions for controversy.

At the meeting in 1895, a committee composed of Geo. H. Tyson, W. H. Lowden, T. E. Pope, and R. W. Osborn, reported to the Board, submitting form of reinsurance clause as follows:

"This policy is subject to the same risks, valuations, conditions, transfers, endorsements, adjustments and payments, as are, or may be taken, or made by the reinsured Company, and the liability of this Company is hereby limited to (5-10) of the amount paid by the reinsured Company.

"It is understood and agreed that in no event shall this Company be liable for more than the amount mentioned in this policy."

This form the committee had distributed among the managers with an invitation to criticise same and give the committee the benefit of their judgment. Very few responses had been received, and the discussion which followed the committee's report resulted in such a wide branching out of the subject that it was referred back to the committee to report at the next annual meeting, harmonizing as far as possible the opinions expressed in the discussion.

In February, 1896, a further report was filed, submitting new clause as follows:

"This policy is subject to the same risks, valuations, conditions, transfers, endorsements, adjustments, expenses and payments as are, or may be taken or made by the reinsured Company, and the liability of this Company is hereby limited to (5-10) of the amount paid by the reinsured Company under this policy.

"It is understood and agreed that in no event shall this Company be liable for more than amount mentioned in this policy."

After some discussion it was decided that the form submitted be printed and distributed among managers, and that the managers be requested to return their views to the committee before the next quarterly meeting. Nothing, however, came of this work, and in February, 1897, the Reinsurance Clause Committee, composed of Messrs. Bernard Faymonville, W. H. Lowden, and T. E. Pope, reported that it was the judgment of the committee that the subject was one that could not be legislated upon successfully by this Association; that the most that could be done would be to make recommendations, and there seemed to be so wide a difference as to the opinions of the managers that the committee considered itself powerless to effect the adoption of any particular uniform reinsurance clause, and requested to be discharged, which was done.

The subject was not revived until last year's meeting, at which time the points of controversy were again called up in the discussion occasioned by the reading of two papers on reinsurance subjects, viz:

"Settlement of Losses under Policies of General Reinsurance," by F. B. Kellam.

"A Reinsurance Controversy," by Walter M. Speyer and Edwin B. DeGolia.

Attention was called to the fact that a committee from the Board of Fire Underwriters of the Pacific had been appointed to prepare a form of reinsurance agreement, and it was suggested that a committee from this Association might be of value in co-operating with the committee from the Board. Motion to this effect prevailed, and the committee thus appointed now begs leave to submit its report.

The first work accomplished by your committee was to reach the positive conviction, after careful deliberation, that the purpose of a reinsurance agreement could not be gained by any possible modification of the reinsurance clause now in use. There are so many conditions to be defined, and so many contingencies to provide for that a formal agreement seems to us necessary in order to accomplish the result desired. We had an excellent model on which to base such an agreement in the form which is embodied in the rules of the Fire Offices Committee of London. The English Agreement has been in existence for nearly thirty years, and the highest tribute that can possibly be paid to its wisdom and efficacy is, that during that time there has been, so far as we can learn, no resort to the courts for settlement of reinsurance controversies. In this country, on the contrary, appeals to the courts for interpretation of reinsurance contracts are increasing in frequency, and the results are seldom satisfactory.

Mr. Herbert Folger, in his address as President of this Association, delivered in February, 1897, submitted a modification of the London Agreement, under the title of "Pacific Fire Reinsurance Agreement," and it is this form which has served us as the basis for the form herewith submitted. We have adopted the title suggested by Mr. Folger, "Pacific Fire Reinsurance Agreement," but have made many amendments and changes which we thought necessary after careful study clause by clause.

The effort of the committee has been to make the Agreement as concise as possible, but we have been unwilling to sacrifice clearness and completeness to brevity. We wish to emphasize the fact that we have carefully avoided innovations or radical departures from present practice, our efforts having been addressed solely to removing possibilities for controversy and to submitting solutions of vexed questions.

The committee from the Board, composed of Messrs. Cesar Bertheau, W. H. Lowden and Bernard Faymonville, has given us valuable aid, but the absence of the chairman, Mr. Bertheau, has prevented formal action by that committee.

The more we have considered the questions involved the greater need do we recognize for joint action on the part of the companies to define the reinsurance contract. It is too large a question to be profitably discussed at this meeting, as time is entirely too limited. We believe, however, that the Association would be well within the limits of its functions to distribute the form herewith submitted to the principal representatives of companies in San Francisco for consideration.

We submit herewith the result of our deliberations, and beg to be discharged, requesting permission, however, to represent the Association in any conference that may be requested by the committee from the Board of Underwriters of the Pacific.

WHITNEY PALACHE,
F. B. KELLAM,
HERBERT FOLGER.

PACIFIC FIRE REINSURANCE AGREEMENT.

It is hereby mutually agreed by and between the Fire Insurance Companies, parties to this Agreement, that the following rule shall govern all reinsurance transactions between them affecting business written through their Pacific departments in such States and localities as shall be named after the signatures for the companies respectively. The company issuing the original policy is styled the insuring company; that writing the reinsurance, the reinsuring company.

The word "Policy" in this Agreement shall be understood to include any form of fire insurance contract.

FOUNDATION OF TRANSACTION.

Rule 1. The foundation of a reinsurance transaction is:

(A) Full information, so far as possessed by the insuring company, as to the risk on which reinsurance is requested.

(B) Full information as to the amount retained, or proposed to be retained, by the insuring company on the risk on which reinsurance is requested.

No error or omission in describing the risk or giving the information required by this rule shall invalidate a reinsurance policy, but the reinsurance shall be held to apply to the risk of the insuring company; provided, that if a reinsuring company shall have been misled or injured by any error or omission, a board of arbitrators, constituted as herein provided, shall have power to award such relief or compensation as shall seem to it good.

If an error or omission be made as to location of risk, and, at the date of a fire, the reinsuring company have no existing liability in the correct location, the reinsurance shall remain in full force. If the reinsuring company have any existing liability in the correct location for a less amount than the sum named in the reinsuring policy, it shall be responsible for such portion of the sum named in the reinsuring policy as shall, including its liability there already existing, make up the sum named in the reinsuring policy. But in the event of the reinsuring company having existing liability in the correct location to the full amount of its reinsuring policy, such reinsuring policy shall be of no effect.

SPECIFIC AND GENERAL INSURANCE.

Rule 2. Reinsurance written under this Agreement shall be either

(A) On the insuring company's interest in a single specific policy, hereinafter styled "specific reinsurance," or

(B) On the insuring company's interest in various policies, whether of insurance or reinsurance, issued and to be issued, hereinafter styled "general reinsurance."

If at the time of a fire there be both general and specific reinsurance applying to any policy, then the general reinsurance shall in the case of such policy apply only to the excess (if any) of the insuring company's policy over and above the specific reinsurance.

In the absence of any intimation to the contrary, specific reinsurance shall be deemed to apply to all the items of the insuring company's policy pro rata.

LIABILITY.

Rule 3. All reinsurance accepted under this Agreement shall be binding for ten (10) days from noon of the date of acceptance, unless otherwise stated in writing. In the case of specific reinsurance the liability of the reinsuring company shall commence from the date of the original insurance, unless otherwise expressed in writing.

REINSURANCE CLAUSE.

Rule 4. Every policy of reinsurance shall include the following in its written portion, viz.:

"This policy is subject to the rules and terms of the Pacific Fire Reinsurance Agreement."

RENEWALS AND REWRITING.

Rule 5. Pending the renewal of a policy by the insuring company, policies of specific reinsurance applying thereto shall be continued in force for not exceeding ten days from the date of expiration of the original policy; provided, that notice of desire to drop the risk at expiration shall not have been given to the insuring company by the reinsuring company in writing on or before the date of expiration.

If the insuring company's policy be cancelled and a new policy be issued in lieu thereof, the insuring company shall, as soon as practicable, notify the reinsuring company of such cancellation and new policy; and the reinsuring policy shall apply thereto from the date of reissue. Failing such notice, the reinsurance shall nevertheless attach to the new policy; provided, that in such event, the liability of the reinsuring company shall not continue for more than ten days beyond the date of expiration of its policy as originally written.

If as the result of such rewriting any alteration be made in the terms of the insuring company's policy, the liability of the reinsuring company or companies shall be governed by the terms of this Agreement so far as such liability may be affected by such alterations.

The foregoing Rule shall apply only to specific reinsurance.

REDUCTION OF INSURANCE.

Rule 6. If the insuring company's policy be reduced in amount, and a loss occur before any new arrangement has been made with the

\$80,000" in a Seattle fire; to have your course heartily endorsed in connection with "Board" matters; to have your suggestions about lines, reports and increased office accommodations cheerfully acquiesced in, and to note, throughout, the evident desire of your principals to show you that they trust you and your judgment, and that they are neglecting no opportunity to say good words to you, all carry with them that happiness which inevitably accompanies the words, "Well done, good and faithful servant!"

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Mr. Palache—It is, Mr. President.

The President—We will then listen to the report of that committee.

Mr. Palache—I wish to premise the reading of the committee's report with a few statements in regard to it. First, the Chairman felicitates himself upon the fact that his two associates showed a very unusual willingness to do all the work, and your Chairman demonstrated very unusual ability in letting them do it. In the second place, if, after hearing the reading of the report, you desire the form submitted to be read, you will find that we have had it printed. The committee disclaims any feeling by such act that they have demonstrated the need of this being put in lasting form, but in the actual work of revising and correcting the report from time to time, we found it absolutely necessary, and if the

recommendation of the committee is acted upon, it will be still further necessary to have it in some form in which it may be distributed.

REPORT OF COMMITTEE ON REINSURANCE.

SAN FRANCISCO, CAL., Feb. 20, 1902.

To the President and Members of the Fire Underwriters' Association of the Pacific:

GENTLEMEN:—Before taking up the presentation of your present committee's report, we think it would be of interest to give a brief review of the efforts that have been made in the past by this Association to consider the question of the adoption of a reinsurance clause that should remove occasions for controversy.

At the meeting in 1895, a committee composed of Geo. H. Tyson, W. H. Lowden, T. E. Pope, and R. W. Osborn, reported to the Board, submitting form of reinsurance clause as follows:

"This policy is subject to the same risks, valuations, conditions, transfers, endorsements, adjustments and payments, as are, or may be taken, or made by the reinsured Company, and the liability of this Company is hereby limited to (5-10) of the amount paid by the reinsured Company.

"It is understood and agreed that in no event shall this Company be liable for more than the amount mentioned in this policy."

This form the committee had distributed among the managers with an invitation to criticise same and give the committee the benefit of their judgment. Very few responses had been received, and the discussion which followed the committee's report resulted in such a wide branching out of the subject that it was referred back to the committee to report at the next annual meeting, harmonizing as far as possible the opinions expressed in the discussion.

In February, 1896, a further report was filed, submitting new clause as follows:

"This policy is subject to the same risks, valuations, conditions, transfers, endorsements, adjustments, expenses and payments as are, or may be taken or made by the reinsured Company, and the liability of this Company is hereby limited to (5-10) of the amount paid by the reinsured Company under this policy.

"It is understood and agreed that in no event shall this Company be liable for more than amount mentioned in this policy."

After some discussion it was decided that the form submitted be printed and distributed among managers, and that the managers be requested to return their views to the committee before the next quarterly meeting. Nothing, however, came of this work, and in February, 1897, the Reinsurance Clause Committee, composed of Messrs. Bernard Faymonville, W. H. Lowden, and T. E. Pope, reported that it was the judgment of the committee that the subject was one that could not be legislated upon successfully by this Association; that the most that could be done would be to make recommendations, and there seemed to be so wide a difference as to the opinions of the managers that the committee considered itself powerless to effect the adoption of any particular uniform reinsurance clause, and requested to be discharged, which was done.

The subject was not revived until last year's meeting, at which time the points of controversy were again called up in the discussion occasioned by the reading of two papers on reinsurance subjects, viz:

"Settlement of Losses under Policies of General Reinsurance," by F. B. Kellam.

"A Reinsurance Controversy," by Walter M. Speyer and Edwin B. DeGolia.

Attention was called to the fact that a committee from the Board of Fire Underwriters of the Pacific had been appointed to prepare a form of reinsurance agreement, and it was suggested that a committee from this Association might be of value in co-operating with the committee from the Board. Motion to this effect prevailed, and the committee thus appointed now begs leave to submit its report.

The first work accomplished by your committee was to reach the positive conviction, after careful deliberation, that the purpose of a reinsurance agreement could not be gained by any possible modification of the reinsurance clause now in use. There are so many conditions to be defined, and so many contingencies to provide for that a formal agreement seems to us necessary in order to accomplish the result desired. We had an excellent model on which to base such an agreement in the form which is embodied in the rules of the Fire Offices Committee of London. The English Agreement has been in existence for nearly thirty years, and the highest tribute that can possibly be paid to its wisdom and efficacy is, that during that time there has been, so far as we can learn, no resort to the courts for settlement of reinsurance controversies. In this country, on the contrary, appeals to the courts for interpretation of reinsurance contracts are increasing in frequency, and the results are seldom satisfactory.

Mr. Herbert Folger, in his address as President of this Association, delivered in February, 1897, submitted a modification of the London Agreement, under the title of "Pacific Fire Reinsurance Agreement," and it is this form which has served us as the basis for the form herewith submitted. We have adopted the title suggested by Mr. Folger, "Pacific Fire Reinsurance Agreement," but have made many amendments and changes which we thought necessary after careful study clause by clause.

The effort of the committee has been to make the Agreement as concise as possible, but we have been unwilling to sacrifice clearness and completeness to brevity. We wish to emphasize the fact that we have carefully avoided innovations or radical departures from present practice, our efforts having been addressed solely to removing possibilities for controversy and to submitting solutions of vexed questions.

The committee from the Board, composed of Messrs. Cesar Bertheau, W. H. Lowden and Bernard Faymonville, has given us valuable aid, but the absence of the chairman, Mr. Bertheau, has prevented formal action by that committee.

The more we have considered the questions involved the greater need do we recognize for joint action on the part of the companies to define the reinsurance contract. It is too large a question to be profitably discussed at this meeting, as time is entirely too limited. We believe, however, that the Association would be well within the limits of its functions to distribute the form herewith submitted to the principal representatives of companies in San Francisco for consideration.

We submit herewith the result of our deliberations, and beg to be discharged, requesting permission, however, to represent the Association in any conference that may be requested by the committee from the Board of Underwriters of the Pacific.

WHITNEY PALACHE,
F. B. KELLAM,
HERBERT FOLGER.

PACIFIC FIRE REINSURANCE AGREEMENT.

It is hereby mutually agreed by and between the Fire Insurance Companies, parties to this Agreement, that the following rule shall govern all reinsurance transactions between them affecting business written through their Pacific departments in such States and localities as shall be named after the signatures for the companies respectively. The company issuing the original policy is styled the insuring company; that writing the reinsurance, the reinsuring company.

The word "Policy" in this Agreement shall be understood to include any form of fire insurance contract.

FOUNDATION OF TRANSACTION.

Rule 1. The foundation of a reinsurance transaction is:

(A) Full information, so far as possessed by the insuring company, as to the risk on which reinsurance is requested.

(B) Full information as to the amount retained, or proposed to be retained, by the insuring company on the risk on which reinsurance is requested.

No error or omission in describing the risk or giving the information required by this rule shall invalidate a reinsurance policy, but the reinsurance shall be held to apply to the risk of the insuring company; provided, that if a reinsuring company shall have been misled or injured by any error or omission, a board of arbitrators, constituted as herein provided, shall have power to award such relief or compensation as shall seem to it good.

If an error or omission be made as to location of risk, and, at the date of a fire, the reinsuring company have no existing liability in the correct location, the reinsurance shall remain in full force. If the reinsuring company have any existing liability in the correct location for a less amount than the sum named in the reinsuring policy, it shall be responsible for such portion of the sum named in the reinsuring policy as shall, including its liability there already existing, make up the sum named in the reinsuring policy. But in the event of the reinsuring company having existing liability in the correct location to the full amount of its reinsuring policy, such reinsuring policy shall be of no effect.

SPECIFIC AND GENERAL INSURANCE.

Rule 2. Reinsurance written under this Agreement shall be either

(A) On the insuring company's interest in a single specific policy, hereinafter styled "specific reinsurance," or

(B) On the insuring company's interest in various policies, whether of insurance or reinsurance, issued and to be issued, hereinafter styled "general reinsurance."

If at the time of a fire there be both general and specific reinsurance applying to any policy, then the general reinsurance shall in the case of such policy apply only to the excess (if any) of the insuring company's policy over and above the specific reinsurance.

In the absence of any intimation to the contrary, specific reinsurance shall be deemed to apply to all the items of the insuring company's policy pro rata.

LIABILITY.

Rule 3. All reinsurance accepted under this Agreement shall be binding for ten (10) days from noon of the date of acceptance, unless otherwise stated in writing. In the case of specific reinsurance the liability of the reinsuring company shall commence from the date of the original insurance, unless otherwise expressed in writing.

REINSURANCE CLAUSE.

Rule 4. Every policy of reinsurance shall include the following in its written portion, viz.:

"This policy is subject to the rules and terms of the Pacific Fire Reinsurance Agreement."

RENEWALS AND REWRITING.

Rule 5. Pending the renewal of a policy by the insuring company, policies of specific reinsurance applying thereto shall be continued in force for not exceeding ten days from the date of expiration of the original policy; provided, that notice of desire to drop the risk at expiration shall not have been given to the insuring company by the reinsuring company in writing on or before the date of expiration.

If the insuring company's policy be cancelled and a new policy be issued in lieu thereof, the insuring company shall, as soon as practicable, notify the reinsuring company of such cancellation and new policy; and the reinsuring policy shall apply thereto from the date of reissue. Failing such notice, the reinsurance shall nevertheless attach to the new policy; provided, that in such event, the liability of the reinsuring company shall not continue for more than ten days beyond the date of expiration of its policy as originally written.

If as the result of such rewriting any alteration be made in the terms of the insuring company's policy, the liability of the reinsuring company or companies shall be governed by the terms of this Agreement so far as such liability may be affected by such alterations.

The foregoing Rule shall apply only to specific reinsurance.

REDUCTION OF INSURANCE.

Rule 6. If the insuring company's policy be reduced in amount, and a loss occur before any new arrangement has been made with the

reinsuring company, the amount for which the reinsuring policy was issued shall be considered as reduced in the same proportion; but if there are reinsuring policies from more than one company, and cancellation or reduction of one or more of them has been effected in consequence of such reduction, then the remainder of the reduction in the amount of the insuring company's policy shall be applied, pro rata, to the reduction of the remaining unreduced reinsuring policies, and of the net amount retained by the insuring company under such policy before its reduction. This rule shall not apply where the risk of the insuring company has been reduced by the discontinuance of other policies, but only where the actual policy, whereof a part or the whole is reinsured, has been reduced. The application of this rule shall be the same whether such reduction be made by indorsement, renewal, or re-writing, subject to the terms of this Agreement.

The foregoing Rule shall apply only to specific reinsurance.

CHANGE IN LOCATION.

Rule 7. Notice of alteration in the insurance involving change of location, shall be reported immediately to the reinsuring company for its approval. If such be not reported, and, at the date of a fire, the reinsuring company have no existing liability in or on the new premises, the reinsurance shall remain in full force. If the reinsuring company have any existing liability in or on the new premises for a less amount than the sum named in the reinsuring policy, it shall be responsible for such portion of the sum named in the reinsuring policy as shall, including its liability there already existing, make up the sum named in the reinsuring policy. But in the event of the reinsuring company having existing liability in or on the new premises to the full amount of its reinsuring policy, such reinsuring policy shall be of no effect.

The foregoing Rule shall apply only to specific reinsurance, it being clearly understood that no policy of general reinsurance shall be altered as to location unless such alteration be agreed to in writing.

OTHER ALTERATIONS.

Rule 8. Alterations in the insurance other than those referred to in Rules 6 and 7, shall be communicated to the reinsuring company by the insuring company as soon as practicable after receipt of notice of such alterations, but shall not invalidate the reinsurance.

If the items of a policy under which there is reinsurance be varied by endorsement or by the issuance of a new policy involving an alteration

not provided for in Rules 6 and 7, and a fire occur before intimation of the alteration has been given to the reinsuring company the reinsurance shall follow such variation in all respects and shall give protection to each item, as altered, proportionate to the total amount of the reinsuring policy.

The foregoing Rule shall apply only to specific reinsurance.

REDUCTION OF NET LINE.

Rule 9. If the insuring company, in consequence of any of the alterations referred to in Rules 7 and 8, shall reduce the amount previously retained on its own account, the reinsuring company shall be notified of such reduction; failing which, if a fire occur, the amount of such reduction shall be applied pro rata to the reduction of the original net amount at risk of the insuring company and of the amount of the reinsuring policy or policies, respectively.

The foregoing rule shall apply only to specific reinsurance.

INCREASE OF LIABILITY.

Rule 10. The liability of the reinsuring company shall not, in any case, be increased beyond the amount it has expressly undertaken, notwithstanding any increase in the amount of the insuring policy by indorsement, renewal, or re-writing.

SETTLEMENT OF LOSSES.

Rule 11. All losses and compromises of losses, and expenses or allowances in consequence of losses, shall be settled by the insuring company according to its conditions of insurance and its practice, without the interference of the reinsuring company, and the proportion due from the reinsuring company shall be paid immediately after production to it of the particulars of the loss and its adjustment, together with the receipt of the insured. In the event of the insuring company having at its own risk a small proportion of the sum insured, compared with the amount it retained at the time of effecting reinsurance, it shall consult the reinsuring company having the largest interest, or in the event of two or more offices having an equal interest and larger than that of any other, then such reinsuring companies, as to the adjustment of the loss.

In all cases the insuring company shall state the amount of its own loss; and if it bears no part of the loss, the papers showing the adjustment shall state the companies by which the loss is borne and the proportion of each.

If the claim against the reinsuring company shall be under a policy of specific reinsurance then the amount of the claim shall be such proportion of the insuring company's loss and expense attaching to the settlement thereof as the amount of the reinsuring company's policy shall at the time of the fire bear to the amount of the insuring company's policy after the application of the foregoing rules.

If the claim against the reinsuring company shall be under a policy of general reinsurance then the reinsuring company shall be liable for such proportion of the loss paid by the insuring company, (after deducting amounts recoverable under specific reinsurance) as the amount of the reinsuring company's policy shall, at the time of the fire, bear to the aggregate insurance (after deducting specific reinsurance) under all the insurance company's policies not expired nor cancelled, whether liable for loss thereunder or not. If, however, at the date of a fire, the amount of general reinsurance exceed the aggregate amount of insurance to which it applies, the reinsuring company shall be liable for such proportion of the insuring company's loss as the amount of the reinsuring company's policy bears to the entire amount of general reinsurance, whether valid or not, or by solvent or insolvent reinsurers.

The insuring company may at its sole discretion, commence, continue, defend, compromise, settle or withdraw from actions, suits or prosecutions, and generally do everything relating to any claim or loss which, in its judgment, may be beneficial, and the payments and expenses connected therewith shall be shared by the reinsuring company in due proportion, and its share shall be paid upon production of the vouchers, and at the same time and place. But the insuring company, prior to instituting or defending any action, suit or prosecution, shall give intimation thereof to the reinsuring company, accompanied by explanation of the circumstances, and the reinsuring company shall be entitled, at its option, to pay at once its share of the entire loss in dispute, in which case it shall not be liable for any further loss or expense, nor be entitled to any benefit arising out of such proceedings; failing such payment the reinsuring company shall continue to be liable to relieve the insuring company pro rata of all loss and expense arising out of such proceedings.

ELECTION OF ARBITRATORS.

Rule 12. For the purpose of deciding the differences hereinafter referred to, there shall be ten (10) arbitrators, who shall, unless otherwise agreed, be elected by ballot at a meeting of the principal repre-

representatives of the companies, parties to this agreement, to be held in San Francisco, on the first Friday after the first Monday in May of each year. At every such meeting a chairman and a secretary shall be elected, and a copy of the proceedings shall be furnished by the secretary to all of the parties to this agreement. The arbitrators referred to shall be elected from among the principal representatives of the parties to this agreement, to serve until the same time in the following year, or until the next election shall take place. The number of votes necessary for the election of an arbitrator shall not be less than one-third of the number of companies present and voting at the election; and if it shall appear upon the first ballot that ten (10) arbitrators have not been selected, then subsequent ballots shall be taken until the number shall have been filled.

The list of the arbitrators elected shall be made and entered on the minutes of the meeting in the order of the number of votes obtained by them, respectively; provided, that the arbitrators elected on the first ballot, if there be more than one ballot, shall take precedence over those subsequently elected, and so on. If any two or more of the arbitrators shall receive the same number of votes upon the same ballot, their order of precedence shall be determined by the length of time during which they shall have been principal representatives of fire insurance companies on the Pacific Coast respectively. The list of arbitrators as entered on the minutes shall be furnished to each of the companies, parties to this agreement, immediately after such election shall have occurred; and such list shall be conclusive as to the qualification, election and precedence of the persons therein named as arbitrators.

The office shall, without prejudice to any pending arbitration, be vacated in the case of any arbitrator if the company, whose representative he is, shall cease to be a party to this agreement or shall revoke his appointment as its representative.

ARBITRATION.

Rule 13. Every difference which shall arise between companies, parties to this Agreement, as to any error or omission in describing a risk or giving the information required by Rule 1, or as to the meaning or effect of, or as to any matter touching the rights or liabilities of any company, or otherwise in any way connected with, relating to, or arising out of an application, covering note, or policy of reinsurance, shall be referred to the first five of the arbitrators hereinbefore mentioned, in the order of their election, after omitting those who may be

representatives of a company or companies in controversy or otherwise interested; and in every such case the parties in controversy shall enter into and execute an agreement to refer the same to such board of arbitration.

Except in the event hereafter mentioned, no company, a party to this Agreement, shall sue any other company, a party to this Agreement, in respect of any claim upon, with respect to, or arising out of an application, covering note, or policy of reinsurance, unless and until the liability, and the nature and extent of the liability in respect of the claim if not admitted, shall have been referred to and determined by a board of arbitration, constituted as herein provided, whose award thereon shall be binding and be a condition precedent to any right of action in respect thereof. But in the event of any of the parties in controversy not entering into and executing such agreement within one calendar month after being required so to do by any other party in controversy, the last mentioned party may either sue the other party without submitting the claim or matters in controversy to arbitration, or may refer the same to the determination of a board of arbitration, constituted as herein provided, and the board may act, and shall have the same powers and authority with respect to the claim and matters in controversy and otherwise, and the award of the board shall be as binding on all parties, as if such agreement had been duly entered into and executed by all the parties in controversy.

WITHDRAWALS.

Rule 14. In the event of any company ceasing to be a party to this Agreement, it shall, in respect of every reinsurance policy given to or by it under the provisions of this agreement, be held subject to such agreement until such time as all claims and demands arising under such policy or policies shall have been paid or satisfied.

(Applause.)

Mr. Folger—If there is no other motion, I will move that the Agreement be received, and that printed copies be distributed, and that the discussion of it be made a special order for eleven o'clock tomorrow morning.

The motion was seconded and unanimously prevailed.

The President—As we have with us now Mr. Devlin of the Executive Committee, and Mr. Fuller of the Library Committee, I will ask if they are ready to report?

Mr. Fuller—The Library Committee is ready.

Mr. Devlin—The Executive Committee is prepared to report.

The President—Very well. We will listen to the report of the Executive Committee.

REPORT OF EXECUTIVE COMMITTEE.

Mr. President and Members of the Fire Underwriters' Association of the Pacific:

Your committee beg to report as follows:

The books of the Secretary and Treasurer were duly examined, receipts were checked, and vouchers for disbursements examined, and everything was found in perfect order. The balance in hand, at the end of the last fiscal year, amounted to \$1,300.86, while at the end of this fiscal year there was a balance on hand of \$1,500.77.

The active membership now numbers 215, which shows that the Association is in a healthy state.

The committee, being of the opinion that it is not necessary that there should be other than a very small surplus on hand at the end of each fiscal year, has considered two plans to reduce the present surplus, and to keep it down to a small sum, and these we ask the Association to consider, and vote upon, at this meeting.

1. To reduce the dues to \$3.00 per annum. At the present membership this will bring in \$645.00, while our average yearly expenditures amount to about \$990.00

The second proposition, which is the alternative, and which I understand Mr. Fuller, as Chairman of the Library Committee, and his committee agree with us upon, is in regard to the library. We came to the same conclusion without mentioning the subject to each other—perhaps a rather remarkable incident, but this time it happened.

2. To secure in some well appointed and modern building, a suitable room, comfortably furnished, where our library may be kept and used, and where members may gather and confer, and read, if they so desire, the insurance periodicals, and make use of our books. The Secretary to have his office in the same room, or adjoining, so that the members may always find the place open, and a cheerful atmosphere prevailing, at all times.

The idea in connection with that is to get in some modern building, where the rooms would be nicely furnished, and where the Secretary could be in the same room or a room adjoining, so that the library would always be open, a room where visiting specials in San Francisco could get together, so having a room to meet in—use it as a sort of a club, as you might call it.

The committee is, of the opinion that on account of the various insurance journals, which are usually read by members, printing decisions which might be of interest to members, it would not be wise to expend the funds of the Association in the reprinting of these decisions, and disseminating the same to the members.

We add that because it was requested last year that we might expend some of our funds in that direction.

The committee believe it wise that the date of the Annual Meeting should be changed, as it is difficult for many of the special agents, in the Northwest particularly, to attend as late as the last week in February, and as most of the special agents are in San Francisco during the holiday season, and a good many about the latter part of June, your committee believe that it would be best to hold the Annual Meeting of the Association, say from the 28th to the 30th of December in each year, or in the last week of June, and respectfully suggest that a vote be taken upon this matter, at this meeting of the Association.

It is thought that on account of the lateness of the meeting in February many of the special agents who come home during the Christmas time to get through with what little additional labor they have, and for a conference with the home office, would find it difficult to come home again in February, and that those who are living here are practically all at home then, between the 25th and the last of December, so that that time might be thought a very good time in which to have the meeting. Or, failing in that, that many of the special agents are called in about the middle of the year, and that the Annual Meeting might well be held then. That matter is of course for the Association to determine.

The committee recommend that when one who is an honorary member of our Association becomes active in the insurance business, his name shall be transferred from the honorary list to the list of active members, and that the Secretary make such transfer, and notify the member.

That last section it was thought best to add because it is only fair and right that when an honorary member goes into active business he should become an active member of the Association, and his name be transferred

from the honored to the active list, and that the Secretary should make such transfer and notify the member of his transfer to the active list.

Respectfully submitted,

F. J. DEVLIN,
ROLLA V. WATT,
WILLIAM SEXTON.

The President—Before I ask for any expression of opinion upon the report of the Executive Committee, I will call upon Mr. Fuller for the report of the Library Committee. The two reports run concurrently upon the matter of securing new accommodations for the library, and I think it better, if there is no objection, that we have them both before us.

REPORT OF THE LIBRARY COMMITTEE.

SAN FRANCISCO, February 20, 1902.

To the President and Members of the Fire Underwriters' Association of the Pacific:

"The committee regrets to report that practically nothing has been accomplished during the past year, in connection with the library, further than the addition of the current numbers of insurance journals and reports of organizations with which we are in correspondence." These are the introductory lines of the Library Committee's report last year, and the excuse thus briefly set forth so accurately fits the case of the present committee that we have borrowed it. This we have done, not as a justification of our failure to make better headway in promoting the interests of the library, but to bring more forcibly to the attention of the members of the Association the fact that something must be radically wrong when committee after committee, as evidenced by the reports, is compelled to make excuses for doing so little toward improving the library and creating an interest in it.

It will, therefore, be the mission of this report to particularly point out the difficulties that are impeding the growth and usefulness of the library and to make recommendations for their removal. This committee took hold of the work, doubtless, with the same degree of enthusiasm that characterized previous committees. Meetings were held and a policy outlined that might have resulted in material for an interesting report at this time, had the conditions been favorable and

committee work practicable, but they are not, and the same obstacles that have been met by previous committees were encountered by us.

To give an example of the unfavorable conditions referred to, we will suppose that a member goes to the library room for the purpose of acquiring some particular information, he finds nothing to guide him in the search, and must, therefore, depend upon locating the book on the shelves by peering through the glass doors. He may finally discover the object of his search, but he cannot secure it on account of the case being locked. He looks about him and finds a placard stating that the library keys are to be found in the adjoining room, whither he goes to find no one in, so he gives up in disgust, and is not likely to try it again. Furthermore, with the library in its present location the Association is a pensioner on the charity of the Board of Fire Underwriters, in so far as having to pay no rent.

This being the case, the Association must necessarily give way to the requirements of the Board in the use of the room, and as it is occupied a good portion of the time by clerks and for committee meetings, the place is wholly unsuited to the needs of a library. With this unsatisfactory state of affairs, it is not at all surprising that so little interest has been shown by the members in their valuable library, but which, in its present location and condition, is practically useless.

Any improvement, however, to overcome these difficulties, would not, in our opinion, be advisable under the present arrangement of depending upon the Library Committee to do the work of a librarian, as the system is impracticable. It matters not how ambitious the committee may be to execute its duties, the work cannot be done properly in this way, for the reason that the three members can seldom get together and when they do meet it is for an hour or two in the evening or on Saturday afternoon, and before they can get together again the work accomplished at the previous meeting is lost sight of and must be gone over again. In this way the year rolls around without accomplishing anything.

As the library is about all the Association has that is tangible, and being an important adjunct, it should be made useful to its members, and to this end, in view of the foregoing, we make the following recommendations:

We first advise the removal of the library to a suitable location, in pleasantly situated rooms, to be comfortably furnished and supplied with desk accommodations and writing material as an additional attraction to members. As this recommendation could not be successfully carried

out and maintained under committee supervision alone, for the reasons heretofore stated, we recommend that the office of librarian be created, which shall be filled by the Secretary of the Association, to act under the direction of the Library Committee. Under this plan the librarian would take charge of the room, prepare a catalogue of the books and an index system. Furthermore these improvements and conveniences would be maintained right along, which is impossible under the present arrangements.

We firmly believe that the carrying out of these recommendations would have the effect of transforming the library from its present state of uselessness to a highly satisfactory condition and render it a credit to the Association. Furthermore, we believe that the funds of the Association could be put to no better use than to make these improvements, for the reason that attractive library rooms would serve as an inducement for the members to come together, and, in addition to the educational benefits to be derived individually, the social feature would have the effect of binding the members closer together and thereby strengthen the organization, which should be the aim of every member of this Association.

Respectfully submitted,

J. L. FULLER, Chairman.

C. B. HILL,

P. F. GILROY.

The President—Gentlemen, the questions touched upon by the Executive Committee and the Library Committee in their reports are important, and I would like to hear a very general expression of opinion upon them by the members of the Association. It is a matter that should be thought of, and the measures proposed ought not to be undertaken in a hurry and without discussion. I would like to hear from any one who has anything to say upon the subject.

Mr. Meade—Mr. President: In regard to the proposition advanced in the Executive Committee's report, of reducing the dues, I have made some mental calculation, and the results are worth noting. At the rate suggested of \$3 per year, and with the present membership of 216, the income would be \$648. Our present expense is, say, \$990. Now, if we go on as we are, without increasing that expense, the surplus that we

have on hand now would last three years, or perhaps four, and then the dues would have to be raised again. If the project of the Library Committee is carried out, and you get a room as the Library Committee suggests, for a library, I doubt if you could get that for less than \$20 a month, or \$240 a year. That amount, added to the present expense of say \$990, would make \$1,230 of annual expense, with an income of \$645. The deficit would then be \$585 per annum, and it would take but two years and a half to use up all the present surplus. Of course, it can be done, but it hardly seems to me right to reduce the dues when you know you will have to raise them again in two years or so. I would oppose the reduction. Moreover, I should oppose it on another principle—because nine-tenths of the managers pay the specials' dues, and it does not come out of their pockets.

Mr. Watt—What was the income last year? You say the expenses were \$990.

Mr. Meade—The income last year was \$1,188 and the expenses \$989, quoting from the record.

Mr. Watt—It would take a long time to use up the surplus if we rented a room as suggested by the Library Committee at a cost, say of \$20 per month; the dues would not have to be raised for at least eight or ten years above the \$5 mark.

Mr. Meade—That is correct. We shall not be able to get a room for less than \$20 per month, and I believe it would cost more.

Mr. Fuller—Let me give you some figures that I have here. The increase of surplus in 1899 was \$154; in 1900 it was \$380; in 1901 it was \$191. The average of those three years amounts to an average yearly increase of surplus of \$246, under present conditions. That would just about pay the rent of a library room. So there would be no extra expense in carrying out this plan; that is to say, from those figures, the surplus would not have to be touched.

Mr. Sexton—I do not quite understand the question, whether it is that we need a room and a janitor and lights and a librarian to get rid of this \$240, or whether we want to reduce our dues to get rid of our surplus. If we need this kind of a room, if we need this library, and need all of those things, we ought to have them. What I first want to know and to have decided is, do we need it. My impression is that we do not need a great big library, for the reason that we haven't the time to visit it and to look at its books, or do anything with it. Again, it is difficult to get a library large enough to hold everything we ought to know. We have to go to a lawyer when we want to know anything very important now,—and pay him. So I am a little afraid that in getting rid of this surplus you are going to take on too much expense. It might be better to go at it by taking this up one section at a time.

The President—If the Library Committee will permit me, I will state that there have been several spasmodic efforts made to get the library into ample and satisfactory quarters. It is a valuable library. As it is now, there is no index to the books, and no way by which a party going in there can find what he wants, and for that reason a body stays away when he would otherwise utilize the resources offered by the library for additions to his knowledge. This suggestion, as I understand it, has no reference to the idea of getting rid of the surplus money that we may now have on hand, but it is rather to put the library into the hands of someone who can take care of it properly, index it, and keep it in such good shape that we from the outside can go in there any time and pick up our reports and our publications there, and make use of them—say at the time when we want to get data for a President's Address for the Fire Underwriters' Association of the Pacific when there have been no meetings during the year upon which to base a report. Is that a proper statement of the case, Mr. Fuller?

Mr. Fuller—Yes.

Mr. Folger—I should hesitate to discuss the question at this hour, Mr. President, but it appears to me that the library of this Association is

like some other things in the house which are described as being not often needed, but when needed they are needed very badly. If I recall rightly, this library has cost the Association at one time and another in the twenty-six years of our life at least \$2,500. I think that is a conservative estimate. It includes donations, some of them quite large, from the Fireman's Fund Insurance Company, from the late C. T. Hopkins, perhaps Mr. A. P. Flint, and other names which are no longer remembered by the younger men in the Association. Those men believed that the library was worth something, and they paid their own money and the money of their companies accordingly. Whatever value the Association got out of an article which I read here in 1892, I received a great deal of value out of it; and the library was indispensable in preparing it. The material which I was then allowed to use, in its influence upon my career, was worth to me at least \$1,000. So that the value of the library to this Association is not the few dollars which you can get out of it in a year, but the value of that which it represents as an interest earner. If, then, the library of the Association is worth a large sum, as I believe it to be, it is worth being housed in a good, clean room, an attractive place, and in such a manner that it can be easily referred to. I understand from the Chairman of the Library Committee that the case, which he mentioned in his report, occurred within the last week; where a member of this Association went to the library intending to consult a book and failed to obtain it. That is exactly what the library was not intended to be. I can recall that ten years ago an enthusiastic committee, of which I know Mr. Lowden was one of the members, prepared rooms for our use at considerable expense, carefully carpeted them to make them look hospitable, adorned the walls with pictures, and did their work in every direction well, so that those of us who lived out of the city were provided with comfortable quarters, and we were furnished with keys so that we could use the rooms. It is a practice which has largely fallen into disuse, principally because of the facts cited in the Library Committee Chairman's report. I do not believe that a discussion of this at random is the way in which to handle so important a question as the one whether this Association

shall take the chances of an annual deficit by incurring a large expense; but a committee might consider the matter and report tomorrow afternoon upon the problems presented not only in that report, but generally in the Executive and Library Committees' reports. It would appear that there has been an annual surplus for three years, and that in face of the fact that the Association has increased the compensation of the Secretary (a well deserved thing) and has made an annual allowance to the Dinner Committee not called for in former years. As we grow older, we can well afford to see that those who come into the Association have the same chances that we have had. If they do not take them, Mr. President, the fault is not ours. I therefore move that a committee of three be appointed to consider the recommendations in the reports of the Executive and Library Committees, that committee to report tomorrow afternoon.

Mr. Meade—Would it not be wise to have the same committee act upon the President's Address?

Mr. Folger—I will include that in the motion.

Mr. Watt—It seems to me that Mr. Folger's motion will have the effect of postponing the matter without any advantage. This body, having the facts before it, is now perfectly competent to act in the matter, and decide whether they want a room where the library can be installed, accessible to the members at all times, or not. My own judgment is, that that is the thing to do. I remember that a few years ago the companies voluntarily contributed a certain amount of money to refurnish the library, and there is no doubt that if in the future we find that the Association is a little short on account of having this library made more accessible for its members the companies will again contribute to cover any deficiency. I would like to move as a substitute for the first part of Mr. Folger's motion that it is the sense of this meeting that we should have such headquarters as are suggested by the Library Committee, and that, if possible, it should be arranged so that an adjoining room might

be occupied by the Secretary; the rooms to be in a well heated, ventilated and cared for building.

Mr. Folger—I am perfectly willing to accept the substitute, but I suggest to Mr. Watt, as there are some other recommendations made by the two committees, that he permit the original motion to stand and the committee to be appointed, and we can deal with this subject of the library as a single matter either now or later.

Mr. Dick—I would like to offer an amendment to Mr. Folger's motion, and that is that the matter be reported back to the two committees to agree upon a plan and report here tomorrow morning, and then take it up. (No second.)

Mr. Devlin—I second Mr. Watt's motion, Mr. President. I believe the special agents who are here from the Northwest ought to discuss one matter in connection with the reports, and that is with regard to the date of our meeting. I happened to be on one of the committees to fix the date of the meeting at one time, and recommended in a report that it should be held between Christmas and New Year's. I do not know that any of the Northwest special agents are on the committee now, but there are a number present at this meeting, and I would like to hear from them upon the subject. If we are going to fix a date, it should be fixed satisfactorily to everybody as near as may be. Are they satisfied with having the meetings as we do now, towards the last week of February, or would they prefer to have it between Christmas and New Year's, or in the middle of the year? I wish some of the members from the Northwest would speak up.

Mr. Watt—Mr. Folger, are you willing to allow your motion to run to the matter of the President's Address and nothing else?

Mr. Folger—Yes, I will accept that.

Mr. Watt—Then I will second Mr. Folger's motion.

The President—The motion will be that a committee be appointed to consider the recommendations in the President's Address.

The motion unanimously prevailed.

The President—I will appoint as such committee Mr. Herbert Folger, Colonel C. Mason Kinne, and Mr. William Sexton.

Mr. Watt—Now, Mr. President, I want to move that the Executive Committee and the Library Committee be authorized to procure a suitable room, in a modern building, with all the necessary conveniences, for the library of the Association, and that such arrangements be made, if practicable, as will enable us to have the Secretary in a room adjoining, to look after the library.

The President—Do you desire to put any limit on the expense to be so incurred?

Mr. Watt—No. The Executive Committee is as much interested in that matter as anybody could be, and will look to that.

Mr. Fuller—One thing has been overlooked, Mr. Chairman, and that is our recommendation to appoint the Secretary of the Association as Librarian. I think that is the proper thing to do. If that can be considered, I would be glad to have it considered.

The President—I will put Mr. Watt's motion as it stands, and then you may make a separate motion to cover that matter.

The motion of Mr. Watt carried unanimously.

The President—Your motion is now in order, Mr. Fuller.

Mr. Fuller—I move that the office of Librarian of this Association be created, and that the Secretary of the Association shall fill that position.

The motion was duly seconded and passed by unanimous vote.

Mr. Folger—Mr. President, the next subject is the recommendation in the report of the Executive Committee that the date of the annual meeting be changed. Unless it be still considered necessary to discuss the matter of the reduction of our dues, which I take it has been already disposed of, that is the only remaining subject. I hesitate to make any

different suggestion as to date from that reported by the Executive Committee. It must be assumed that they have carefully considered the matter. But I am of opinion that a meeting in June, while it might possibly be advantageous to those at a distance, would not be well attended by those in California, and that is in every way undesirable. Among other things, climatic conditions are against it. As to a meeting in the last week in December, while it is true that at that time the field men are generally in the city, a large number of the managers and office men who attend these meetings would be almost certainly prevented from being here, in the event of that being made the date. One thing occurs to me, however, that might give a suggestion. There was a meeting here, and I think in its way a small banquet, of sixteen or more special agents from the Northwest, in January. If I understand correctly there were not less than twenty-two in the city, of whom scarcely any now remain. It seems, therefore, that a still better plan than either of those mentioned, is to have the meeting after the so-called annual work of the offices is out of the way, when both office men and field men will be at liberty to attend the meetings. Therefore, to start the discussion, I move that the Executive Committee be empowered to change the date of the meeting to some time between the 1st and 15th of January, at their discretion.

Mr. Watt—Mr. President, I have been interested in this matter for several years past, and have desired to have the date of the meeting changed. I will admit that it has been somewhat upon selfish grounds. We hardly feel justified in asking our special agents to come back to San Francisco at this time of the year, after they have been in at the holiday season. That is especially true of those in the Northwest. The expense is considerable, but the loss of time is even more important. I have found that the special agents connected with our office feel disappointed if they cannot come to the office during the holidays. Some of them have their homes at distant points and desire to be home on Christmas, but they desire to leave for San Francisco the day or two after Christmas to wind up the year here. In our own office, we are far busier

immediately after the 1st of January than we are for ten days before the end of the year, and the Christmas week for us would be very much better than the first week in January. I think the very thing that Mr. Folger wants to accomplish would be defeated by his motion.

Mr. Folger—When do you close your books?

Mr. Watt—On the last day of the year theoretically, but actually on the first day of the year. We find that we have time enough during the last few days of the year, but immediately after the first comes day and night work for the entire force, and a meeting at that time would shut out some of our men. It would be almost impossible for any of our office men to be here during the first few days of the year, and it might be so with others. I would prefer the latter part of June, simply because it is between the two grain seasons, the one down here and the one up north, and it is a good time to bring the men in for a second time. But I think that this is a matter that the special agents ought to settle, and I would like very much to hear from the men in the field.

The President—Are there any Northwest specials here prepared to say anything on this subject? We would like to hear from Mr. Gerould.

Mr. Gerould—It seems to me, Mr. President, that to many of the Northwest specials it would be inconvenient to come here at the holiday time. A large number of said specials have their homes and families in the Northwest, and the holiday season is the time that they want to be at home. For my own part, I think the greater number of them could come soon after the first of the year, possibly later than the 5th of January, and perhaps towards the 15th, to better advantage than to come in February. I think that the matter of changing the time to about the 15th of January would be more acceptable to the larger number of Northwest specials.

Mr. Meade—I do not think this question can be settled today, Mr. President. It is a question that has come up ever since I have been Secretary. We held the Annual Meeting last year on the 6th and 7th of

February, and that date did not prove as convenient as at this time. I make this suggestion: we have an Executive Committee that really is the Association during the year. Let that committee find out by correspondence or otherwise with the different specials at what time it would be most convenient for the greatest number to be here, and then let the committee set the date. We can make one or two or three propositions to them, whether they would prefer to have the meeting in January, or in June, or as at present, and then settle the question. I cannot see any other way of getting at it that will reach a satisfactory conclusion.

The President—Before the matter could be finally disposed of, it would have to come up by way of an amendment to the by-laws of the Association.

Mr. Cunningham—It occurs to me, Mr. President, that the principal objection (and I think it would apply to most of our specials) of having a meeting just prior to the end of the year, is that we are all interested in the result of the business of the year, and we could not get the figures until after the first of January. We like to look over and into what has been done. For that reason I would be in favor of some date after the first of January. June would be my personal preference, so far as that is concerned, but I am not particular. I do not think it would be just right to have it in the holiday season, because we have homes, and we like to be there and would be there. Since you are so kindly considering the desires and asking the opinions of the special agents, I will say that it seems to me that they ought to be allowed the privileges of home and fire-side at Christmas time. Any time after the first of the year would be agreeable to me. I would incline, however, to the meeting in June, as I said before.

The President—Did you put your recommendation in the form of a motion, Mr. Secretary?

Mr. Meade—No. I made a suggestion, that is all. However, I will move that the date of the meeting be left in the hands of the next Executive Committee.

Mr. Chipman—I think it would be a good plan to follow out Mr. Meade's idea and communicate with the various specials and field men.

The President—And then let the Executive Committee act upon the majority's opinion, and frame an amendment to the by-laws in accordance therewith, I presume.

Mr. Devlin—I would like to suggest that the motion be amended so as to read that the Executive Committee be “directed” to communicate.

The President—Do you offer that as an amendment?

Mr. Devlin—No, I do not care to more than suggest it.

Mr. Meade—I will accept the amendment suggested, and have it that the Executive Committee is directed to communicate with them.

Mr. Devlin—To communicate with the members and get replies, asking them when would be the best date for them to attend. Of course it is more to make it a time that will be agreeable to the special agent than to make it satisfactory to the members here, because we can always get away, while the special agents cannot always do so.

The motion was seconded and unanimously prevailed.

Mr. Folger—I suggest, Mr. President, that you ask those who desire to discuss the report of the Committee on Reinsurance Contract at the hour set in the morning to take copies of the committee's report with them.

The President—I hope all will do so, and be prepared for a debate upon the matter in the morning.

Mr. Folger—Mr. President: The attention of this Association has frequently been drawn to the custom of a number of the insurance institutes in Great Britain in conducting annual examinations of junior clerks, surveyors and others upon subjects bearing upon insurance. These examinations are very thorough, and, undoubtedly, tend to improve the general training of the younger men. In some instances

advancement is not granted to juniors until such examinations have been passed with success. I think no attempt has been made in this country to introduce anything of the kind until the present year; when the *Rough Notes* Publishing Company of Indianapolis, Ind., arranged for a series of examinations in the leading cities of the Eastern States, evidently based upon the English plan. The examinations were held on the 11th and 12th instant, and it is too soon to determine how generally they were attended and what average standing was attained by those who participated. I mention the matter for the purpose of having the questions, which follow, printed in the proceedings of this Association for the information of its members; and suggest that almost any member, young or old, would be benefitted by passing through something similar once a year. The *Rough Notes* Publishing Company could not send the questions forward until after the examinations had been concluded; but the letter accompanying them states that when any similar examination is undertaken the Pacific Coast will be included in the field covered by them.

“ROUGH NOTES” CLERKS’ EXAMINATION.

February 11 and 12, 1902.

General Insurance—Fifteen Questions (30 points).

1. Explain clearly the full co-insurance clause and give an example of its application. Explain clearly the percentage co-insurance clause.
2. Define the meaning of the following terms: binder; premium; risk; exposure.
3. What is the fundamental principle of insurance?
4. Name five essential points to be covered in writing a policy of insurance.
5. Define the meaning of the term “blanket insurance.”
6. What is meant by specific insurance?
7. In describing a building to be insured, what information should be incorporated in the form?
8. Define the meaning of the term “concurrent insurance.”
9. What provision does the policy contract (standard form) make regarding the placing of other insurance covering the property insured?

10. What procedure is necessary in a case where the assured loses his policy, and give example?
11. What is meant by the
 - (a) physical hazard of a risk;
 - (b) the moral hazard?
12. What provision, if any, does the policy contract make for the settlement of a dispute over the amount of loss between the adjuster of the company and the assured?
13. How should an agent determine the amount of insurance to be placed on a building or stock?
14. What items of information should be stated in a daily report?
15. State three arguments against the adoption of valued-policy laws.

Policy Writing (20 points).

1. Point out the defects, if any, in the following form:
\$500 on his three-story frame shingle-roof flouring mill, situate on the Bladensburg road, near the Station Post-office, and known as the Imperial flouring mill.
2. Prepare form for an insurance of \$500 on a retail drug stock at 1010 10th street, Boston, placing \$100 specific on soda fountain.
3. Prepare form for an insurance of \$1,200; \$350 on dry goods, \$650 on groceries, \$200 on pictures and works of art, in a general store on Main street, Pike, Ind., with permit for other insurance.
4. Prepare form for an insurance of \$5,000 on a job printing office.
5. Prepare indorsement for removal of stock insured for \$1,000 to a new location with an increase of 50 cents per annum in the rate.
6. Point out the defects, if any, in the following form:
\$500 on his three-story brick building, situate 1010 10th street, Boston.
7. Prepare a form for an insurance of \$500 on a three-story brick building for a mortgagee.
8. What is rent insurance?
9. Place an insurance of \$1,000 on a photographer's stock.
10. Prepare a pro rata clause.
11. Give form for consequential damage insurance.
12. Prepare schedule forms for ordinary brewery, iron-worker, wood-worker—say five items each.

Mathematics (20 points).

1. What is the net amount due the company on the following policy canceled at the end of three months by the assured: Amount \$3,000; annual rate 60 cents; commission to agent 15 per cent.

2. Cancel at short rates the following policy: Date of issue January 1, 1902; amount of policy \$3,000; rate 50 cents; date of cancellation July 1, 1902.

3. Cancel pro rata the same policy.

4. An agent reports the following items in his account current January 1, 1902:

Policies issued:

\$1,000, rate 60 cents, commission 20 per cent.

\$5,000, rate \$1.25, commission 15 per cent.

\$2,000, rate 40 cents, commission 25 per cent.

\$3,000, rate 65 cents, commission 20 per cent.

Canceled policy of \$1,000, rate 50 cents, commission 25 per cent.; issued July 1, 1901, for non-payment of premium.

Allowance, 60 cents for postage, 50 cents for telegrams.

What is the amount due the company?

5. What is the amount of the reserve on January 1, 1902, on the following policy: Amount \$10,000, rate 3 per cent., date of issue June 1, 1901.

6. Apportion the following loss:

Sound value of a stock of hardware and groceries \$10,000, the groceries being \$7,000, the hardware \$3,000.

Partial loss damaging groceries \$2,500, hardware \$1,500.

Insurance—Company A, blanket policy of \$4,000; Company B, \$300 specific on groceries, \$1,500 on hardware.

Insurance Law (20 points).

1. What constitutes an insurable interest?

2. Describe the procedure necessary for the legal cancellation of a policy of insurance as provided by the contract—

(a) by the company;

(b) by the assured.

3. Mention five or more circumstances or conditions which *ipso facto* (by the act itself) voids a policy of insurance (New York standard form).

4. What, if any, is the personal liability of an agent acting for an insurance company not authorized to transact business in the State, if any?

5. What provision is made in the standard form of policy regarding the fall or collapse of an insured building?

6. What, if any, is the personal liability of an agent for failing to comply with the request of a company represented by him, to cancel a policy of insurance?

7. What course would be proper for a company to follow under the following circumstances:

The company orders agent to cancel a certain policy of insurance.

The agent fails to take up the policy, writing to the company instead. The company in reply reiterates its former request to cancel, but before the letter or telegram reaches the agent, the risk in question is destroyed by fire.

8. What, if any, is the personal liability of an agent for issuing a policy of insurance covering a property which his instructions from the company forbid him to insure?

9. What provision does the standard form of policy make for the assignment of interest by the assured?

10. Mention the principal requirements under the standard form of policy necessary to be incorporated in an acceptable "Proof of Loss."

Schedule Rating (10 points).

1. How is a rate ascertained under what is known as the schedule system of rating?

2. What is a fire wall?

3. Name three risks by occupancy, classed as preferred.

4. Define the term special hazard.

5. Name five risks, by occupancy, classed as special hazards.

6. What constitutes an "omnibus" building?

7. What constitutes a power block or building?

The hour of half past four having arrived, an adjournment was then taken until Friday morning, February 21, 1902, at 10 o'clock.

SECOND DAY.

San Francisco, February 21, 1902, 10 a. m.

The President—The meeting will please come to order. Before proceeding with the reading of papers, we have some letters that I have requested the Secretary to read.

February 20, 1902.

Calvert Meade, Secretary:

Dear Sir—I am much complimented at receiving the invitation of the Association to be present at its annual meeting. If I do not avail myself of the privilege, you may feel that the heart and the voice of the *Sun* will always be with you and working for your best interests.

Very respectfully yours,

MRS. CLARA H. CASE,
Publisher *Insurance Sun*.

The President—A few days ago I received from Mr. A. C. Thornton this letter, which I desire the Secretary to read.

Seattle, Wash., February 17, 1902.

Mr. Geo. W. Dornin, President:

San Francisco, Cal.,

Dear Sir—I regret very much to inform you that it will be impossible for me to give you a paper entitled "Happenings of the Northwest," as I promised for the annual meeting of the Fire Underwriters' Association of the Pacific. I wrote out several short stories which might be termed humorous, but after reading them over decided that they really were not deserving of a place among other papers to be read at the meeting, so I simply turned them over to Mr. Grant for use in the Knapsack if he saw fit. I am very sorry, Friend George, if I have put you to any inconvenience, and I trust that my action in helping to fill out the Knapsack will atone for any disappointment I may have caused you by my failure to provide you with the paper as promised.

With personal regards, I am,

Sincerely yours, A. C. THORNTON.

The President—The first paper this morning is that on "Average Clause vs 100% Co-insurance Clause," by Mr. A. W. Thornton. In explanation I will state that it is rather in the nature of a letter than a paper, and for that reason I have incorporated it among the papers to be read before the Association, and have requested Mr. Wilson, of the Niagara, to read the paper for Mr. Thornton.

Office of Washington Insurance Association,
Seattle, Wash., Feb. 14, 1902.

Mr. George W. Dornin, President:

San Francisco, Cal.,

Dear Sir—You are, no doubt, familiar with the practice where insurance covers in one sum in more than one location, either the average clause or 100% co-insurance clause, is required to be made a part of the policy, and it always struck me that there was a difference, although the claim by many was that they operated alike.

I therefore asked Mr. A. W. Thornton, special agent, to give me an example of the operation of the average clause and 100% co-insurance clause.

He has very kindly written me as per enclosed copy, and as I have had two or three requests for copies of this letter I thought it might be of interest to you, and if you thought it was of sufficient importance it might be read at the annual meeting.

Yours truly,

LEE MCKENZIE, Chief Surveyor.

Tacoma, Wash., July 15, 1901.

Lee McKenzie, Esq.,

Tacoma, Wash.

Dear Sir—Answering your query as to the operation or effect of an "average clause" in an insurance policy, permit me to state a hypothetical case for purpose of illustration:

Policy covers \$100,000 on merchandise while contained in warehouses No. 1 and No. 2, with the average clause attached; loss occurs and the value is ascertained to be \$150,000, of which \$90,000 is in warehouse No. 1 and \$60,000 in warehouse No. 2.

The loss may be either (1) total in both warehouses, (2) total in one warehouse, (3) partial in both warehouses, or (4) partial in one warehouse.

Case 1. TOTAL IN BOTH LOCATIONS.—The value has been ascertained to be \$150,000, with insurance of only \$100,000, so the company pays the face of its policy.

Case 2. TOTAL IN ONE LOCATION.—The first step of the adjuster is to make the insurance specific as to each warehouse in accordance with the conditions of the average clause—that is, he must find how much of the insurance is to apply on merchandise in warehouse No. 1 and how much in warehouse No. 2. To determine this is a simple computation in proportion—the total value in both locations is to the total insurance in both locations as the value in warehouse No. 1 is to the insurance in warehouse No. 1—the latter being the unknown quantity. The problem may be stated this way:

\$150,000: \$100,000 : : \$90,000 : X. or X equals \$60,000. By a similar process as to No. 2 (or by deducting the \$60,000 from the \$100,000) it is found that \$40,000 of the policy applies to the second location. The assured, therefore, can recover no more than \$60,000 for the total destruction of warehouse No. 1, or \$40,000 for the total destruction of No. 2. Without the average clause he would be entitled to \$90,000 for a total loss in No. 1, or \$60,000 if in No. 2. The company therefore saves \$20,000 or \$30,000 by the use of this clause in case of the total destruction of one warehouse.

“Injustice to the assured?” No; he collects two-thirds indemnity and he has paid for only that amount, i. e. \$100,000 insurance on a value of \$150,000. The company had the right to insist on specific insurance in each location, and had this been done it is fair to presume that the insured would have divided his protection *before* the fire exactly as the company apportions it after the loss. Had he done differently and written \$75,000 on No. 1 and \$25,000 on No. 2, the result would have been the same had both burnt; but in case only No. 2 had been destroyed he would get but \$25,000, or \$15,000 less than the company pays him under the average clause.

As the companies will not assume several risks for one premium it is necessary to make the insurance specific either before or after the loss. Where the ratio of values in the different locations does not fluctuate, it is much better to make the insurance specific when the policy is written; where constantly changing, the average clause is an advantage to the insured, as the insurance fluctuates automatically with the values. This advantage granted to the policyholder should not work a hardship or loss to the insurer.

CASE 3. PARTIAL LOSS IN BOTH LOCATIONS.—Having found that the insurance to apply in No. 1 is \$60,000, and in No. 2 is \$40,000 the loss is treated as though the insurance had been written specifically for these amounts originally. He recovers any partial loss in full up to $66\frac{2}{3}\%$ of the value in either location, for in this instance he has indemnity for only $66\frac{2}{3}\%$ of the total value. Anything beyond this proportion of loss in either location must be the assured's loss by reason of under-insurance.

CASE 4. PARTIAL LOSS IN ONE LOCATION.—This is handled the same as above and the same reasoning applies. He cannot recover more than his loss and amount of insurance applying in either location under the average clause. Without the average clause he is entitled to his full loss, no matter in which place it occurs, up to the full amount of the policy.

It is sometimes claimed that the "average clause" and the "100% co-insurance clause" are similar in effect. Don't believe it. Take the example in hand. In case of partial loss of \$50,000 in warehouse No. 1, the assured would recover the full amount thereof (or \$50,000) under the average clause, but would get only \$33,333.33 under the "100% co-insurance clause."

These two problems would be figured out this way:

Insurance \$100,000	
Value \$150,000—being \$90,000 in No. 1 and \$60,000 in No. 2	
Loss, \$50,000 in No. 1.	
<hr/>	
With Average Clause	With 100% Co-insurance Clause
Loss \$50,000	Loss \$50,000.00
As value in No. 1 is $\frac{3}{5}$ of	The assured is an insurer
total value, therefore $\frac{3}{5}$ of	to the extent of \$50,000
total insurance applies in	Company insures \$100,000
No 1, or	Therefore assured bears
Insurance \$50,000	$\frac{1}{3}$ of loss, or \$16,666.67
Company pays \$50,000	Company pays \$33,333.33

It is easily seen that the 100% co-insurance clause is a great deal better for the company than the average clause; the average clause is no protection whatever in ordinary partial losses. It may be stated in this way:

If the percentage of loss in each location is *less* than the percentage of insurance, the assured recovers in full for his damage under the

average clause; but under the co-insurance clause (be it 70, 80, 90, or 100%), if the policyholder is short in his insurance, the loss must be *more* than the percentage called for in the co-insurance clause before he can recover his full insurance. That is, under an eighty per cent co-insurance clause, the loss must be 80% or more of the value (and the above percentages have reference to value) before it can be a total loss to the company.

The most common "average clause" in use in the Northwest is that applying to stock of lumber (or shingles) when insured "in dry kiln, in mill building and in yard adjacent."

A short time ago the writer adjusted a loss where our policy covered \$500 on lumber as above, with the average clause. Another special agent had \$500 covering in a similar manner, except that his local agent had run his pen through the words "mill building." We found that the dry kiln had burned, containing \$1,500 worth of lumber. Neither the assured nor my colleague saw any reason for taking an inventory of the stock in the yard or in the mill building, as one *claimed* and the other *admitted* a total loss. When eventually the value of the lumber in the yard was shown to be \$1,000 and in the mill \$500, there were many explanations in order. The assured "cussed" the average clause roundly when he got only \$250 under our policy. The other company paid \$300. "Why the difference?" You see, as to our policy there was a value of \$3,000 in all, of which only \$1,500 was in the kiln which burned. Therefore but $\frac{1}{2}$ of the insurance under our policy, or \$250, applied in kiln.

The other policy, not covering on stock in the mill building, insured property worth only \$2,500, of which \$1,500 was in kiln; therefore $\frac{3}{5}$ of it applied in kiln, or \$300.

The wording of this clause is not understood by the ordinary mill man, or if understood, is unheeded if read. Many local agents are unable to explain it. As the contents of a kiln will vary but very little during a season, it would be more satisfactory to write specifically on such. At least it would be easier and pleasanter for the adjuster.

In combinations where the average clause and the co-insurance clause are applicable under different policies in the same loss, the apportionments are interesting. If I can be of any service in explaining such, you have but to command whatever little I may know about it.

If the above explanations are not clear, let me know and I will try to be more explicit—an Irishman should always have two chances to make himself understood. Sincerely yours, A. W. THORNTON.

The President—Are there any remarks to be made upon Mr. Thornton's paper? Can you give us something upon the subject, Mr. Sexton?

Mr. Sexton—It is rather difficult, Mr. President, to say anything with regard to a paper like this when one only hears it read once. It is a paper that is in order and has a good deal in it, and should be studied. There is a saying among insurance men, I believe, that the 100% co-insurance clause is as good as an average clause. But I have an idea that some of us change it so that it reads that an average clause is as good as a 100% co-insurance clause. Mr. Thornton has drawn the line between the two. Without being able to follow it closely, I must say that it is a paper that will repay careful study.

The President—We will next hear from Mr. Charles S. Hill, a special having the Mountain Field of the National in charge, upon the subject of "Our Local Agents." I want to say, gentlemen, that Mr. Hill is one of those who was yesterday enrolled as a member of the Association.

OUR LOCAL AGENTS.

PAST, PRESENT AND FUTURE.

CHAS. S. HILL.

"Dust thou art and to dust shalt thou return."

It was with much hesitancy that I finally consented to your worthy President's request to prepare a paper for the 1902 meeting of the Fire Underwriters' Association of the Pacific. The fact that a stranger in a strange land should presume to take up your valuable time when so much was to be said and done, together with the fact that I am in no degree a "writer of papers" was to me a sufficient reason to decline, but the fact that two minds did not run in the same groove is my excuse for appearing before you today.

In looking over the field for proper subject matter, I may have selected one that perhaps is somewhat threadbare to you of this side, but to us on the other side it never becomes so. I have therefore taken for a subject, "Our Local Agents, Past, Present and Future."

What a relief it is to know that some people we have known, know now, and may know again in the future, are only dirt, and to soil they must return.

Few men of today realize what it meant to organize and establish a "fire insurance company" one hundred or more years ago, and much less what it meant to the old or young man to be pointed out as the "fire insurance local agent."

Some months since, through the kindness of a friend, I was permitted to read a short history of the early life of "Fire Insurance Companies," and about the same time it was my privilege to inspect one of the first fire insurance policies issued in the United States. Since reading these, I have often wondered "where the companies thought they were at," and later, when the local fire insurance agent was born into the world, "what he thought he was up against." In those early days he was styled a "solicitor," with no particular abiding place; no office other than the crown of his hat, no standing with his people, and something of an "Ishmaelite" on the face of the earth and a robber in the land. We have this same individual with us today under the style and name of "brokers," and may the good Lord, with the assistance of all our good companies, hasten the time when he shall be blotted from the face of the earth, or be compelled to join the ranks of our legitimate "local agents."

Later came the local agent of today on a small scale. He had a small room he called an office, with a pine table, a pad of surveys and applications, and an unlimited supply of nerve and gall. He had very little, if any, idea of his duties, but an exalted idea of what *he was*. It is a pity this condition did not last always. He was not bothered with subrogation, lighting, gasoline stove and lamp, acetylene gas, and last but not least, vacancy clauses, that we are loaded down with today. His principal business was to write all the applications possible, collect his accounts and, above all, pay his companies promptly.

This condition of affairs continued in a general way for many years, but with a growing tendency from year to year with the insuring public to look upon each fire insurance company as a robber and a thief, who took their money and gave nothing in return, and the poor local agent got the full benefit of what was in the air, until he came to think himself that he was a very poor proposition, and grew in a hill. This condition of affairs was very demoralizing, leading to the much cutting of local rates, and a general tendency towards getting all commissions possible, regardless of the cost to the companies, thus endeavoring to

play even for the loss of character, for which, in the opinion of the agent, the companies alone were to blame.

This was the beginning of the present. It was about this time your humble servant was born into the insurance world in a small town in western Colorado. I well remember the trials and tribulations we had to contend with. No ear to pour our troubles into; no one to sympathize with us; local board rates gone glimmering, and the one object in view of getting much business, and getting it quick.

About this time an act of my own brought the existing conditions so forcibly to my notice that I was in just the frame of mind to accept *anything*, even to a "compact manager," and most of my fellow agents in the field felt likewise. In those days distance lent enchantment to much of the business, and when I landed in Junction City to write up the town, the fact that I was over sixty miles from my agency cut very little ice with me. It was a typical Colorado town of an early date, all frame and high rates, and as one of my managers had always said (by the way, he is within the hearing of my voice today), "Hill, get the frame business if you can get the rate." I went in to get the frame business, and before I left town the following day I had mapped the town and had insured every risk, both large and small, at some figure; the little book that contained a summary of all my work was placed in my inside pocket, and I took the stage and train for home. It was very late when I reached my office, and I only waited to locate each risk as to company, and went to bed. When I opened my office the following morning, the first thing I noticed was a telegram under the door, and upon opening same, I read, "Come to Junction City at once, the d——n thing has burned up." It was only too true. Not a building was left. No daily reports, no policies, no anything, but that little book. The companies all paid, and some of their representatives of that time are here today. Business conditions had changed by this time, and fire insurance was recognized as one of the foundation stones of our success. Compacts and good practice among agents came into effect, proper rates were promulgated, and the business became a fixture. Good agents were on top again, and will always remain so.

But it has not been all smooth sailing since that time. The improved conditions brought into life, locals, mutuals, lloyds, and many other and naturally new insurance agents were born into the world with like ideas and responsibilities as the companies they came to represent. These conditions brought about other complications, and the managements of the several companies in the field said unto their special agents, "Go ye

forth into the byways and hedges and get agents, and through these agents get us much good business." And the special agent went forth and appointed men of groceries, dry goods, hardware, bankers, bakers, barbers, laundries, shoe shops, and all other kinds and conditions of business men, until the undersigned found it necessary, to be able to carry out instructions coming from his manager, to appoint a blacksmith as the Lancashire agent in a small Colorado town, and, while the said company retired from business some months ago, the commission still rests upon the wall behind the forge, and the good man is still giving his people all the good points of his company, although he never wrote a policy, and has no more idea what one looks like than a Navajo Indian.

Brother specials, this class of agents are in our several bailiwicks today. They cannot do good work, as they have only one idea, namely, a reduction of their own rates and the few dollars they can make on the side, regardless of liability. They have no pride in the insurance business, and never can have. While largely in the minority, yet they are sufficient in numbers to make life a burden to our more worthy representatives. What apology have we to offer for appointing hybrids to compete for a business that men of integrity are endeavoring to build up? There are agents who scrutinize every risk, investigate each moral hazard, shun all doubtful business, and are prompt to meet their financial obligations. They are as honest and conscientious a body of men as will be found anywhere in this broad land. These two types represent the local agent of today.

Let us be honest with our companies, honest with ourselves, and the future local agent will be a credit to his companies, a credit to himself, and a credit to us; one who is proud of his calling and therefore honest to a fault. The ideal local agent is a man of this description, and it lies with our companies and ourselves whether we mould him into anything different. Let us make the effort, and I am sure we shall succeed. Then, and not till then, shall we have a local agent who will be "a thing of beauty and a joy forever."

(Applause.)

The President—I am sure, gentlemen, that we have all enjoyed and appreciated Mr. Hill's paper. Now that we have with us the committee which is to report upon the investigations of the committee on

Reinsurance Contract, and the hour has arrived for which the subject was made a special order, I will call upon Chairman Palache to report.

Mr. Palache—The report was offered yesterday, Mr. President, and the discussion upon it was postponed until this morning. While I am on my feet I would suggest that, as a matter of mathematics, if we devoted only five minutes to each clause of this agreement, it would take an hour and a half to go through the agreement. It occurs to me that a better plan would be to discuss the question of whether a reinsurance agreement is necessary and important, or not, rather than to attempt to discuss all of the matter submitted. However, the meeting must be the judge of that.

The President—Gentlemen, you heard yesterday the report of the committee on Reinsurance Contract, and you now have Mr. Palache's recommendation. What is your pleasure? I would like to hear some expression of opinion.

Mr. Sexton—Many years ago, Mr. President, when we were trying to reform everything that there was in sight, when this institution was newer than it is now and knew less, we worked at a mortgage clause—one of those that waives every condition in the policy—and worked it out. One of our leading managers sent a copy of our work to his home office. His office was writing mortgaged property for some big institution. His managers approved the clause, said it was the proper thing, but said they could not adopt it, for the reason that the class of business which they received from this loan company and the rates that they received covered all of the bad qualities that there were in the other mortgage clause, and they vetoed our form. We have tried at other times to do things of a similar nature here, and, as we have no legislative power, we have failed. So far as this report of the committee on Reinsurance Contract is concerned, I received a copy of it I think two or three weeks ago, and I read it over very carefully once or twice, and it is something that would take two or three days of sitting around a table for even a committee of three to agree upon. Strange as it may seem,

though I generally agree with everything that anybody brings around, in this I find something that I do not agree with; and I think that forty or fifty of us here might find lots of little faults on subjects on which we would differ, some of which might very readily be explained by the committee if we had time to listen. But I agree with Mr. Palache that we haven't time enough to argue the matter out understandingly, and that it would be better to leave it to a committee, or to furnish copies to each member and let each one go over it and make his notations as to what he objects to, or what he endorses, suggesting amendments, and then have them all sent to some central committee, some committee to be appointed here, to pass upon.

The President—Your idea is that some action should be taken in the direction of having a work of this kind accomplished, some action taken on the matter, but not through this meeting?

Mr. Sexton—Yes. I believe in working at this, if only as a matter of education. Whether it results in anything or not, it sets men to thinking, and, no matter whether it is adopted by the Board of Fire Underwriters or not, that is none of our business. We work here independently of others. To do the work intelligently so far as the members of this Association are concerned, copies should be furnished to each member, and each should be asked to look over, criticise, correct, endorse, or whatever he chooses to do, and send them back to the committee again. If that can be done I think it would be wise.

Mr. Meade—Mr. President: I know that the committee has worked very faithfully on that report for a long time. The matter has been before this Association for a number of years, so that I think the committee have completed their work as far as can be done by this Association. Therefore I move that the report be accepted and placed on file, and further, that this same committee, which has taken so much interest in it, should the matter come up at any time before the Board of Fire Underwriters, would be the representative of our Association to bring the whole matter to a head. And I move that the committee be discharged.

Mr. Sexton—I will second that motion, if you will amend it by not discharging the committee but still keeping them in power. You will have to change that a little. I believe in the idea of keeping the committee, and that the committee should furnish a copy of this report to each member of the Association. I think the committee should continue and should have the power to act with the Board of Fire Underwriters as Mr. Meade suggests. So I think it would be better to refer the matter back to the committee, with instructions to furnish each member of the Association a copy or two copies of the report, with the request that each send back whatever he chooses to the committee, and let the committee represent us according to Mr. Meade's idea.

Mr. Palache—Mr. President: Let me call attention to the closing paragraph of our report. It seems to me that that meets the wishes expressed by both Mr. Meade and Mr. Sexton. We say, "We believe, however, that the Association would be well within the limits of its function to distribute the form herewith submitted to the principal representatives of companies in San Francisco for consideration. We submit herewith the result of our deliberations, and beg to be discharged, requesting permission, however, to represent the Association in any conference that may be requested by the committee from the Board of Fire Underwriters of the Pacific." It occurs to me that if the report of the committee be adopted, the Association adopts that recommendation, and that that covers the ground. I would like to add just one word in regard to what Mr. Sexton has said, and that is, that the committee has shown their entire endorsement of his position as to the powers of this Association, in the report submitted. But there is a great deal of difference between adopting a mortgage clause and making a reinsurance agreement. The demand for a mortgage clause comes from outside parties, while the reinsurance agreement is between the companies themselves, pure and simple, and it ought to be a comparatively easy matter for them to decide what they want to do and then do it, because in reaching an agreement between themselves, no outside considerations come in.

Mr. Kinne—It occurs to me, Mr. President, that in a matter of this kind, talked of for a great many years, digested more or less, it is a question whether the Board of Fire Underwriters have anything to do with the contracts between the companies. I think you will find that the Board will say that it is none of their business to legislate upon this matter, although they might recommend. It is a matter of reinsuring, and how far the reinsuring company shall follow the matter of endorsements that may be made by the reinsured has been thought over very carefully, and an endeavor was made at one time to see that the company which reinsured the other should be notified of any transfer of the property from one location to another, or any particular endorsement within a specified time. I remember that this all fell through. I think one of the chief opponents to that was our deceased friend, Arthur Magill, who said he could not see that his company should be put in a position where a larger liability might accrue than he might wish, on account of some error on the part of some of his subordinate clerks. In any event, the matter fell through entirely. This is a contract that can only be made between companies. As long as it is a question of rates and commissions and matters of seeing that endorsements are properly worded, I believe the Board of Fire Underwriters will act; but when it comes to a question of saying how we shall reinsure or ask to be reinsured by another company, that is another question. I think the suggestion that the committee should not be discharged but should endeavor to bring the matter before the different companies and ask them to acquiesce by signing some paper whereby they agree among themselves that they will use this reinsurance clause is a good one. It seems to me that this will be the only practical way to get at anything tangible in this matter.

Mr. Folger—Regarding the suggestion by Colonel Kinne that it is doubtful whether the Board of Fire Underwriters can legislate upon this question, there is no doubt, as the Executive Committee has already put itself on record as saying, that the Board cannot deal with the question. From the Board's side of the matter of reinsurance, the question came before us in a letter from one of the most important offices. A commit-

tee was appointed by the Board to confer with the committee from this Association. That committee still exists, and is referred to in the report. Our committee is clearly of the opinion, and I think the other is also, that there is a very great need for such an agreement, and, secondly, that a clause, however long, will not meet the case. While I agree, Mr. President, that it is impracticable to discuss the agreement at this time, and suggest that all of our members read it in the Annual Proceedings of the Association, it is too well known that a book of 200 pages is rather apt to be read hastily, and so I ask permission, both of the Association and of the committee, to call attention to a few salient points. The agreement opens by defining the scope of the agreement as to territory covered, and as to the foundation of a reinsurance transaction, which is stated to be full information, so far as possessed by the insuring company, as to the risk on which reinsurance is requested, and secondly, full information as to the amount retained or proposed to be retained by the insuring company on the risk on which reinsurance is requested. Thereafter the principal provisions are: That specific and general reinsurance, which differ widely in character, are defined; that the liability for reinsurance accepted under the reinsurance agreement is binding for ten days without the need of a specific agreement; that every policy of reinsurance issued by companies which take part in the agreement shall have a clause endorsed thereon simply saying, "This policy is subject to the rules and terms of the Pacific Fire Reinsurance Agreement;" next, that the re-writing of policies written by agents, which frequently occurs without notice to the company, in event of loss, are covered by the agreement itself, pending notice of the re-writing to the reinsuring company, with certain provisions as to changes in location, changes in amount of policy, and alterations in the form. Then follows a provision that if the original insurance be reduced during its term, the reinsurance follows, under certain prescribed regulations; that if there be a reduction of the *net* line of the original company, by reason of increase of risk, for example, the agreement shall apply, as specified. Then follow provisions as to the settlement of losses. One of the last and most important

sections provides for the election of arbitrators, and before any suit may be instituted under a reinsuring policy, the case must be referred to them and an award obtained. I think this states generally the scope of the agreement. Negatively, we may add that the committee has not included a demand for a net retention clause, or an agreement that the reinsured company shall retain a given net line; we believe that the reinsuring company is sufficiently protected as to that feature by the agreement. Answering Mr. Sexton's suggestion, it may be stated that the agreement has been considered at great length. All of our sessions have been three hour length, and they have included careful study. I think nothing more need be said beyond what the Chairman stated at the outset, that the committee believes the time given to this demands that the work shall not fall. You are well aware that original work which has affected the interests of the companies has frequently been gone into by this Association, when the Association had no power to deal with it, and yet the work of the Association has been of great advantage. Furthermore, an agreement upon reinsurance should not be adopted unless a sufficient number of the companies will agree to abide by its provisions. But if that is done, not all of the companies need agree to it, and it can be put into force without reference to any Board or Association. It is by no means a fact that it would require or should receive the support of all the companies. That such an agreement would largely reduce the friction between companies, and the care which has been placed upon the shoulders of managers, I think no one will express a doubt.

(Applause.)

The President—Are there any further remarks to be made upon the subject? What is your pleasure with regard to the report of the committee and the suggestions that have been made?

Mr. Kinne—I move, as a substitute for the whole, that the report of the committee be adopted. That will carry with it the closing paragraph, and straighten out the whole matter.

The motion was seconded, and prevailed.

Mr. Arthur Brown—Mr. President, it seems to me that this work, as Mr. Folger has said, is most important to the companies, and should not be dropped. I therefore move that this committee, which has done such good work, be requested to call a meeting at their option with the President of the Association, at some time in the near future, to consult not only with the members of this Association, but with the representatives on the Coast, to the end that the work may be continued at an early date.

The President—I think the recommendation of the committee covers that, Mr. Brown, if in their judgment it should be necessary and expedient. Is not that correct, Mr. Palache?

Mr. Palache—I should say so, yes. I think it would be a mistake for us to urge the matter too much just at present. The action of the companies has been delayed by the absence of Mr. Bertheau. The matter is before them, and they will no doubt take it up upon his return.

The President—If there is no further discussion we will proceed with the reading of the papers. I will call upon Mr. Meade to read Mr. George P. Low's paper on "The Station Transformer Hazard."

THE STATION TRANSFORMER HAZARD.

GEORGE P. LOW.

It will be an easy matter to remember the function of an electricity transformer if the word "transformer" be prefaced with the noun "voltage," giving the compound word "voltage-transformer;" that is, a changer of voltage or electric pressure. The term "converter" was formerly used interchangeably with the word transformer as indicating one and the same device, but the electrician speaks of a converter as being a mechanism by means of which electricity may be changed or converted from one *variety* or form of current to another, without regard to the voltage of either. A rotary converter, for instance, converts alternating current into direct current, while a static transformer will absorb alternating current at a pressure of say 11,000 volts, and deliver practically an equal amount of electrical energy in the form of alternating current at say 2400 volts. Transformers are invariably alternating current devices—they cannot be otherwise. Converters, however, are a sort of a com-

posite dynamo and motor mechanism which may be adapted to handle any and all varieties of currents and voltages. The hazards of converters are those of dynamos or motors, which are well understood and under easy control, but those of station transformers may well be made the subject of long and patient investigation.

PRINCIPLES OF OPERATION.

Let us take up the subject in a rational way by acquiring some understanding of the duty and principles of operation of the transformer. Dynamos generate electricity at voltages which can be handled by skilled station attendants with safety and reliability. But these voltages are not high enough to make long distance transmission of power, for instance, commercially feasible, because if electric power was to be transmitted 100 or 200 miles at a voltage which dynamos could generate direct, the cost of the aluminum or copper for line wires would be so enormously great as to sound the death knell of the project. And so it is that the transformer comes into play. It takes alternating current from the dynamos and raises it to the high pressures of from 15,000 to 40,000 volts or higher and delivers it to the line wires, and then when the line wires have delivered the current to its destination 100 or 200 miles away, other transformers take it and reduce it to low voltages, all with the same reliability that would have followed the transmission of lower voltage direct from the dynamos without the intervention of transformers. Thus it is that a few thousand dollars invested in transformers saves the investment of hundreds of thousands of dollars which would otherwise be necessary. It is therefore an absolutely indispensable factor in modern methods for the transformation and distribution of electricity.

As to its principles of operation, let it be remembered that electricity is generated in the armature of a dynamo by the passing of a wire in front of a magnet. The requisites to the generation of electricity in a wire by this method are motion and magnetism. In some dynamos the magnet passes by a stationary wire, in others the wire passes by the magnet—it is immaterial which procedure is followed so long as the essentials of motion and magnetism exist about a wire. Now if we examine the make-up of a transformer it will be found to consist of an iron core, which forms the magnet, a coil of wire (called the primary coil) which *gives* magnetism to the iron core, and another coil of wire (called the secondary coil) which *takes* magnetism from the iron core. The primary coil and the iron core may be regarded as a unit in the development of magnetism in the transformer, that is, they together

form the electro-magnet. But this electro-magnet is energized by alternating current which oscillates sixty times per second; hence the magnetism moves, being first positive, then negative, then positive again; and so on. Here we have a condition exactly parallel with that presented in the dynamo. The magnetism moves through the wire forming the secondary coil generating current therein. In other words, in the dynamo a wire moves through a magnetic field and electricity is generated in the wire, while in the transformer a magnetic field moves through a wire and electricity is generated in the wire as before.

Thus it is that in a transformer energy is delivered from its primary coil to its secondary coil in just as positive a manner as is done when a waterwheel or a steam engine delivers power to the dynamo it drives. A transformer having a capacity of 1,000 horsepower is an insignificant piece of apparatus in point of size in comparison with a steam engine of equal capacity, but there is no more energy involved in the smash-up of a 1,000 horsepower steam engine—nor near as much, in fact—as there is in the burning out of a 1,000 horsepower transformer. An engine that is wrecked is demolished by the energy of its own effort plus the momentum of its fly-wheel, but the transformer which burns out has centered in its destruction, it may be, all the energy of every unit in the powerhouse behind it. This explains the quickness and viciousness of transformer burn-outs.

120,000 VOLTS NOW IN COMMON USE.

It is an inexorable law that as the distances covered by transmission lines go onward, the limit of voltage used shall go upward. The time was, about eight years ago, when 10,000 volts was regarded as little short of terrific; but to-day 40,000 volts has long been in regular service, 80,000 volts has been used on transmission lines experimentally and 120,000 volts is in common use hereabouts in testing work. The use of these constantly increasing voltages has rendered it necessary that something more than the insulation of fibrous materials and air should be used in transformer building and the practice of immersion of the transformer into oil came into vogue. It was one of those cases which simply had to be, for no alternative was presented or could be devised despite the fact that the use of oil above all else was bound to be the cause of great concern among fire underwriters as well as to electric station managers themselves.

The oil itself is selected with the greatest possible care, for it is essential to the welfare of the transformer which it insulates that it should

be absolutely free from acids, mineral compounds or anything which could possibly exercise a deleterious influence of the materials of the transformer. Its fire test is high as the records of your inspection bureaus attest, and if viewed from its electrical standpoint its insulating and puncture-resisting qualities are perfect. If incipient trouble develops in a transformer that is oil insulated, the oil rushes in and heals the wound, making often a perfect cure. Should a flash or spark of any ordinary nature take place within the transformer case (which is probable with dry transformers but virtually impossible with oil-filled ones) the oil would instantly choke off the spark and restore the insulation to its normal state.

Under normal conditions, therefore, the use of oil is a necessity of the greatest possible good, the term normal being used in the sense implying the usual working conditions as at present installed and operated. It is not unusual in mechanics, in engineering and in every walk of life and channel of industry for unexpected events to happen. Indeed our lives are made up of unexpected events to their last, but it is not so with transformers which are very rarely subjected to any disturbance to mar the usual serenity of their existence.

WHEN THE TRANSFORMER BURNS OUT.

What happens when a transformer burns out? To begin with, heat is always developed by a transformer when it is in action, and this heat is taken up by the oil and delivered to the surface of the transformer case, or to water pipes within the oil chamber of the case, or otherwise, and so dissipated. At times when the transformer is working to its full capacity the temperature of the oil may reach 40 degrees centigrade above that of the surrounding atmosphere. If now a short-circuit, that is trouble of a very serious nature, develops within the transformer it is manifested by heavy arcing, by the melting of metal of the transformer and by raising the temperature of the oil to the boiling point. If the burn-out and arcing occur with explosive violence, then the oil will be blown out of the case and scattered about the premises unless provision is made to forestall such an occurrence. The oil itself will not burn under ordinary conditions as to temperature and confinement, but when at the boiling point and scattered in all directions in this heated state it is not going to be impressed into service as the perfect substitute for a chemical engine. Fortunately, though, it is not one transformer in a thousand of those in use which burns out, especially if they be of the oil-

filled variety, but when they do go there is, as the vernacular forcibly expresses it, "something doin.'"

The use of oil-filled transformers should not be regarded as a not unmixed evil, for whatever be the viewpoint the tendencies exerted by the oil are far more for good than for evil. The hazard of the modern power-house has been so reduced of late years that the hazard of the transformer is great only in comparison with it alone. As to present practices in transformer manufacture, I recognize but one weakness which I would eliminate in order to reduce their fire hazard, and that is the use of sheet iron casings which, in event of fire or particular station trouble are easily broken or torn or punctured so as to release the oil and allow it to run out. Transformer casings should be of the most substantial and durable kind. They should, in the larger units, be erected on substantial foundations of concrete or other material of similar durability, and their oil cooling connections should be so installed as to be free from liability to breakage or interruption even under such severe conditions as are imposed by fire. The reason for aspiring to this attainment is that while it is the intent of the oil, among other things, to carry away and dissipate the heat of the transformer coils through the medium of the water circulating pipes within the oil, the principal of cooling works both ways inasmuch as it will dissipate external as well as internal heat. In fact instances have occurred where transformers have passed through fires without injury to their internal features by reason of the use of oil cooled by water circulation.

The real hazard of the transformer is that due to the storage of a very high grade oil under conditions wherein its temperature may rise to a maxim of say 40 degrees centigrade above that of the surrounding atmosphere, and where in rare instances, a possibility of the scattering of the oil and its ignition from the cause which scatters it, exists. As such the elimination of the hazard would be best accomplished by the confinement of transformers in separate fire-proof buildings, but whether it is always necessary to resort to this final expedient is a matter of grave doubt. (Applause.)

The President—Gentlemen, Mr. Low has been to a great deal of pains to write us a good paper upon a subject that is somewhat difficult to handle. I feel personally under a great deal of obligation to him for what he has done. As there are but three more papers to read, and they are very short, it might be wise at this time to take a recess, and if there is no objection I declare this meeting adjourned until 2 o'clock P. M.

Afternoon Session.

The President—The session this afternoon will be opened by Mr. J. V. Spears, with a paper on the subject of "Texas." This paper is not intended to treat exclusively of underwriting in Texas, but shows something of what there is to be done in Texas by way of insurance, with much valuable statistical matter. The paper was written at my request.

"TEXAS."

J. V. SPEARS.

FROM AN UNDERWRITER'S VIEWPOINT.

Being asked to tell you something of Texas, it might add to your interest to tell you that I went there in a prairie schooner, traveling thousands of miles, through swamps and over mountain passes, while my company thirsted for water and starved on acorn pone, but I did not. I went in a Pullman, but there was a valiant band of honored heroes who rode not in palace cars, but, enduring hardships, fought their way to the Alamo, there to offer up their lives in battling for freedom. Who can forget Crockett, Travis and Bowie, heroes in life and heroes in death?

You Californians should not forget that you are indirectly under obligations to Texas for the privilege of being American citizens. You would all undoubtedly have been Spaniards had not James K. Polk promised in his campaign for the presidency his support and ratification of the annexation of Texas.

Since the treaty of 1819 your section had been Spanish domain, and President Polk, evidently endeavoring to redeem his promise (even though he overstepped the Constitution and sent our army under Taylor beyond Texas into Mexican territory) sent Commodore Sloat around to the Pacific Coast, who, landing at Monterey, demanded of the commandant that he surrender all under his control in California. This territory he secured without bloodshed, and at once proclaimed to the inhabitants that henceforth California would be a portion of the United States.

Following this was the move to secure the Bay of San Francisco, then came the invasion of the interior of Los Angeles and the flight of the military Governor-in-Chief of California.

LUMBER.

Reverting to Texas, it is not necessary to tell you of our early day struggles. You all know how the old States early began to hear and talk about the Great Empire of the West, which offered so many inducements, and, though the tide turned westward since 1846, still, up to thirty years ago, the Indians depredated our most fertile sections, and from that time we really date our progress. Texas, the imperial domain, has an area of 266,011 square miles—is nearly twice as large as California. It means 167,865,600 acres—acres blessed by Nature, enjoying a great variety of climate, and yielding a greater variety of products than any other state. Twenty-four per cent. of her territory is timber, and this is her leading product in tons. We saw annually about eight hundred million feet of lumber, having passed from the eighteenth to third in rank as a lumber State. Many of our large lumber plants rank as standard, and the local underwriters have to compete with overhead and outside writers for lines on them. The rates on these plants are fair, but on lumber the rate is low, basing at 1.25. The 80% co-insurance clause applies on the plants, while the 85% co-insurance clause and the iron safe clause attach on lumber stocks.

COTTON.

Cotton is the leading agricultural product, with three million bales. We furnish one-third of the United States, and one-fourth of the world's supply. This, in 1900, was grown on 7,041,000 acres. While this was the product of 1900, and made us the leading cotton State, in 1870 we occupied the fifth place. Our last year's crop was worth \$120,000,000, and but for the present method of the marine companies in covering cotton from the time and place of purchase to the port of delivery, the fire companies should have taken a premium of \$1,440,000 on that crop alone. Cotton is insured for the specific owner and for the railroads as common carriers. It is written with the full co-insurance clause, and a specially adopted iron safe clause. Though the losses are frequently heavy, taken as a whole it has been a profitable special.

A few companies insure the gin plants and their contents. This insurance is usually productive of large premiums and likewise loss ratios. There are scarcely six companies writing gin risks now that have done so for a series of years.

Another heavy premium account from cotton is the cotton seed oil mill. We have about 175 of them, and the plants will average \$50,000

in value. When the season is on and seed stock accumulated, the insurance will easily average \$100,000 on each. These plants are usually well constructed and cared for, sprinkled and fully protected. The basis rate for a standard mill is 65c. Up to 1900 they proved quite profitable to the underwriters, but during the last two years have been disastrous, and rates heretofore somewhat shaded are being steadily advanced. There was a disposition to overlook defects, but the companies are now charging for them as fast as they are discovered. These plants are written subject to the 80% co-insurance clause.

WHEAT AND FLOUR.

In 1900 we produced 23,000,000 bushels of wheat. This is more than was produced by any State east of the Mississippi river, and the average per acre was excelled by only three States in the West. We now occupy sixth place, while thirty years ago we occupied the twenty-ninth. There are 107 flour mills in Texas, the largest with a capacity of 2,000 barrels daily, and seventy-eight are in course of construction. Much of the product is exported.

You must not forget that the world knocks at our door, for we have over 300 miles of coast, and Galveston is daily becoming more important as a seaport.

Grain is written with the full co-insurance and iron safe clauses, and the marine companies capture a good portion of it, while the mutuals get a good share of the mill and elevator plants.

RICE.

Of other grain we produce 81,000,000 bushels of corn, 28,000,000 bushels of oats, and 750,000 bags of rice. We are now second in the latter product, and it is almost a certainty that we will produce more rice in 1902 than all the rest of the States combined. Of course, the underwriters are all glad to write rice as other grain, but the rice mill is a special not well known, and upon which there is much difference of opinion. Some companies decline them on account of the high velocity of the cleaners, while others take large lines.

Our fruit and vegetable crops are sufficient to tax the shipping capacity of the railroads. Our grain belt is larger than Illinois. Our corn belt larger than Kansas. While the district capable of raising sugar and rice far exceeds in size the State of Louisiana. We produce more live stock and hides than any two other States.

In horses and mules we have passed from the eighth to a strong first place. Of cattle we furnish eighteen per cent of the Union's supply, and six per cent of all the beef of the earth.

PACKING-HOUSE LINES.

Underwriters have looked with doubt on packing-house lines sent them from Texas, but it is plain to see we have the location for them, and Messrs. Armour & Swift have recognized that fact, and are now erecting two large plants at Forth Worth. These plants will cost about one and one-half million dollars each.

Texas has 10,000 miles of railroad within her borders, and another 1,000 miles is under construction. This moves her from the twenty-eighth to the second in rank during the period mentioned, in which she has also advanced from the nineteenth to the sixth in population, from the twenty-fourth to the seventh in wealth, and from the twenty-ninth to the first in number of farms, and the above output considered as a whole shows that she has passed from the twentieth to the first in value of agricultural wealth.

A GREAT STATE.

She is rich in mineral, coal, granite and marble, while the world is standing aghast at the recent oil developments which, even in its infancy, surpasses any other section in the world. This latter gives to us the cheapest fuel on earth, meaning a promise of development during the next few years which can hardly be predicted. With all the wealth of raw material and products, and this cheap fuel, manufactories will crowd our towns, and we will need every broad acre to supply our citizens.

I glory in the old State, and would like to talk about her more, but all insurance people must talk "shop."

INSURANCE.

The receipts of the insurance companies doing business in Texas amounted to \$3,967,365 in 1900, while in 1870 it ran to only \$168,273. Forty odd men of the highest type, some educated in the foremost colleges and practically trained to their work from the local ranks to service under the grand masters of the insurance business, compose the field force of Texas. Ours is a position where men must prove their worth, or fall by the wayside. We are too far away from our able advisers to report and be advised—we must think, act, and report. This makes it hard and very uncomfortable many times, but it develops, and we point

with pride to the fact that Texas has furnished Moore, Gay, Dexter, McElhone, Dargin, Coffin, and Manning to preside over the destinies of some of the leading offices in the United States, while within her borders still reside Trezevant & Cochran, who are today masters of the largest general agency in the world, and one developed entirely by them. Naturally, with this class of men in command, the keenest competition prevails, but thorough accord makes them a band of brothers, and each is striving for the general welfare of the business.

ANTI-TRUST LAW.

As you know, a rigid anti-trust law is upon our statute books. As applied to insurance, it prohibits any agreement as to rates, and since its adoption the Texas Association and the Jalonick Rating Bureau have been abolished. This leaves us acting each for himself in the matter of rates, and every field man must be an expert in schedule rating, lest his company be over-loaded with business paid for at less than its value. The high loss ratio of the State is a constant menace to the thinking man, and causes many to stand for full rates and good practices, who might under present conditions be disposed to act otherwise. Of course, we have some pirates, though I am glad to say they are few, and of hardly enough importance to produce demoralization.

FIELD MEN'S CLUB.

Our field men have a social club, and the rooms are supplied with current literature and insurance publications. This club is the congregating place for all who happen to be in Dallas on Sundays, and an occasional "smoker" keeps the bond of friendship strong. I believe it is the charmed power of friendship that is doing more to maintain good practices in Texas than all other factors combined. In most of the towns the agents are broad enough to stand for the right, and the occasional wrong-doer is rounded up by his competitors. Of course, a refractory fellow will bob up and persist to such an extent that his specials see the business is suffering by his presence, and his head drops into the basket.

DAILY REPORT EXAMINER.

I believe if the daily report examiner were as exacting as the average field man, that trouble would be minimized. This gentleman should have a backbone as big as one of your redwood trees, though it is frequently as delicate as a hair-spring, and yields to every letter purporting to tell what the other fellow is saying or doing. Trouble frequently

arises because one man is afraid there is going to be a fight, and he immediately jumps on the other fellow to prevent it.

VALUED POLICY LAW.

The valued policy law is also a Texas statute, and of course produces its quota of incendiary fires. I, however, do not think the number great, for as a rule, the Texas local agents are careful men and good judges of values, and then the Texas business is closely inspected by the field men. For a time all courts construed as a total loss any building which was rendered untenable for the purposes for which it had been used. During that period we suffered heavily in paying the dishonest claimant 100% on a 30% damage. A few years ago the supreme court decided that no building was a total loss while such portion of the value remained, that an ordinarily discreet man would use it in re-building, if he had no insurance, and since the law has been less harsh, though it sometimes interferes with the application of the three-fourths loss and the three-fourths value clauses, both of which we use. As a rule, the adjuster covers the point by getting at the amount of the loss, and then prevails on the assured to settle per his contract.

THE FUTURE.

A great deal of feeling has been entertained in insurance circles against Texas on account of the rigor of the above laws. Without stopping to argue the justice or the injustice of them, I want to say to you that I believe the day is not far distant when Texas will create the most liberal laws for the protection of capital and for fostering all legitimate business. It is rapidly amassing home wealth. Her fertile fields are enriching the farming people, who are educating their children in the public schools (and she has the largest school fund in the United States), and are making college graduates of them. This is but wiping out ignorance and prejudice, and making her citizens broad and business-like. Our adverse legislation has been due to the great preponderance of the uneducated farming element. These are but cobwebs across the path of progress, and the Imperial Prince of Knowledge stalking through her broad lands is leaving them broken fragments.

(Applause.)

The President—We have all enjoyed Mr. Spear's paper very much, I am sure; and it is safe to say that Texas has no better champion than he. Next in order is a paper by Mr. J. L. Fuller, on "The Rebate Evil."

THE REBATE EVIL.

J. L. FULLER.

In the early days of the fire insurance business on the Pacific Coast, unfair competition was much less prevalent than at the present time, and when an agent lost a renewal he could feel reasonably certain that his competitor had used only legitimate means to deprive him of the risk. Under such conditions, the agent or broker occupied an honorable position, and could justly feel proud of his calling. But, unfortunately, the conditions have changed for the worse, and the hunger for premiums has brought evils into our business, prominent among which is the disreputable method employed by some agents of dividing commissions with the assured, which is termed "rebating." This practice has grown to such an alarming extent that the vocation of the agent is being degraded, and the business demoralized. Compulsory methods, as a remedy for this evil, have been tried, but proved ineffectual. Such failure, however, should offer no excuse for abandoning the attempt to bring about a change for the better. This feeling has prompted me to take up the subject on somewhat different lines, by pointing out the evil consequences of rebating as affecting the character of the individual, as well as the danger of pecuniary loss. While perhaps but little encouragement can be expected in the way of inducing the habitual rebater to reform, I do believe that the arguments which may be brought out on these lines, in opposition to the practice of rebating, will appeal favorably to the younger heads with whom the habit has not become fixed, and that with time and advancement in the business, their influence would be felt in the direction of better practices. If, therefore, the aid of the rising generation of insurance men can be enlisted to assist in purifying the atmosphere, the object of this paper will have been attained.

THE MOTIVE FOR REBATING.

While all classes of business are afflicted more or less with the rebate evil, that of fire insurance, for obvious reasons, suffers perhaps to a much greater degree than any of them, and the first question to consider is

the motive that influences the practice. As neither friendship or charity enter into the case, except in rare instances, it must follow that the real incentive for rebating is resolved into the cold-blooded proposition of taking away business from a competitor. It may be contended also that excessive compensation opens the way for a more extended exercise of the practice. While this may be true, the agent or solicitor cannot consistently justify the unbusinesslike course of giving away a share of his earnings, no matter what rate of commission he receives. Furthermore, in the payment of a rebate, the agent not only treats himself unfairly, but doubles the offense by lending his aid to demoralize the business. The responsibility of this bad state of affairs is worthy of serious consideration, if it is realized, as it should be, that unless something is done to remedy the evil, the day of reckoning may come sooner than any of us would care to see it. Every agent, therefore, who is guilty of this deviation from good practices, takes upon himself a share of the blame for incurring disaster not only on himself but to hundreds of others who are innocent of wrong doing.

WHERE THE WEAKNESS LIES.

It is the agent who craves an advantage over his competitor that resorts to bad practices, and in order to increase his lead in the race for premiums, he seeks every advantage possible as a handicap on which to "win out." This is a serious mistake, for the reason that the mere decision to adopt an irregular business course, carries with it an acknowledgment of moral weakness, while the act itself is a glaring admission that he who resorts to unfair means to build up a business is inferior to his competitor of good practices in both energy and force of character, which, to say the least, places him in a most unpromising position to acquire success in life.

The folly of rebating is borne out quite often by the assured. While ever ready to justify his own act in depriving the agent of a share of his earnings by applying the rebate received to the reduction of his rate, he nevertheless looks with distrust and oftentimes contempt on the man who is so weak-minded as to wilfully give up a share of what is justly due him, when a good sound argument would avoid the necessity of so doing.

OTHER EVIL CONSEQUENCES.

While the foregoing is intended to point out the evils affecting the rebater's character, there are other things to consider which are likely

to deplete his pocketbook. We will suppose that an agent is enabled to write enough more business to make up, or even exceed what he gives away in rebates. The advantage thus acquired, be it ever so great, cannot recompense him for the loss in the end, for "murder will out," and it takes but a little while for an agent to establish a reputation as a rebater, which advertises him to a class of property owners that are looking for rebates, and, on the other hand, has the effect of diverting from his agency those who would rather deal with an agent having the reputation of doing business straight. The rebating agent, therefore, puts on his books a class of business that is constantly subject to attack from other rebating agents, and the renewals are very likely to leave him at expiration unless he is willing to give up even more of his commission than before. This is not all, for, in the event of a rate war, when rebating gives way to rate cutting, rebate business is subject to greater competition than straight business, for the reason that the agents who lost desirable risks through unfair methods will, in a spirit of retaliation, make strong efforts to regain them by the aid of heavy cuts. The rebater, therefore, is likely not only to lose the greater portion of his business, but, having acquired an unsavory reputation, it will follow him to his detriment in whatever calling he may take up.

THE OTHER SIDE OF THE QUESTION.

The agent who refuses to rebate and puts in his time cultivating the class of business that naturally comes from following good practices, not only receives the full benefit of his earnings, but rests secure in the feeling that, come what may as an interference to the prosperity of his agency, he can depend upon the loyalty of his clients. Furthermore, an energetic agent who builds up a business on these lines will surely be rewarded with well earned success. From this I do not mean to infer that it is possible to make a fortune out of the average local agency or brokerage business—far from it. If commissions on the premiums were all that could be expected, the prospects of an ambitious agent would be discouraging indeed. While the earnings of the agency are not to be scorned, by any means, this consideration should be secondary in the mind of the agent to the lasting benefits made possible by the opportunity offered for moulding character to fit correct business practices, that brings success in its full measure. The zealous agent, therefore, should not fear to invite the hardest kind of competition along legitimate business lines, which course should have the effect of stimulating his ambition and energy for the successful accomplishment of more

difficult tasks that are sure to be encountered in his progress through life. Such character building process should bring its own reward by favorably attracting the attention of those in authority—promotion follows and leads on to permanent success.

CONCLUSION.

The special agent, coming in contact as he does with the local agents and their clients, occupies the best position as an all around educator of the ethics and practices of the business. For this reason, his influence is felt for good or for evil, as he may see fit. This being the case, and as his pathway is beset by the same dangers that threaten the local agent, I deem it proper to devote my concluding remarks to him, and more particularly to the young special whose business habits are not yet formed, and who may be wavering in his decision to pursue a straightforward course, and to say that no matter how tempting the other path may be, he will, in the end, be infinitely better off by keeping himself in strict line with good practices. Therefore, fight shy of the rebating agent, for the simple reason that no matter how innocent you and your company may be, you will be charged with paying excess compensation to help him out; fight shy of the agent who is receiving excess compensation from any source, for you will not only be charged with doing the same thing, but you will not get a fair share of his business either in quantity or quality. Don't forget that every man in the field is watching you closely, and placing a proper estimate on your qualities, and that, no matter how carefully an illegitimate transaction is covered up, it will leak out sooner or later. Don't forget that you are being watched, not only by your own manager, but by others, and that your reputation is being discussed when you least suspect it. Furthermore, don't forget that detection of doing wrong is not all there is to affect your character, as unfair dealings, even though unknown to others, will weaken it.

If you intend to make the insurance business your life work, and hope to be successful in it, the only way to reach the goal is to pursue a course which will place your actions beyond the reach of criticism, and when the time comes to lay down the burden, you can do it with a clear conscience.

Temporary advantages may come to the crooked special or local agent, but permanent success can only be attained by legitimate methods.

(Applause.)

The President—We should be glad to hear any discussion upon the live topic treated by Mr. Fuller.

Mr. Kinne—Mr. President, it occurs to me that one remark might be made, and that is in reference to the very closing paragraph of Mr. Fuller's paper, which is the pith and the keynote of honest work in our business: Do not do anything right from the fear that you are going to be detected if you do wrong; do not do wrong, for it is not right to do wrong. One of the brightest orators who ever lived in America, Bob Ingersoll, came upon the platform once in this city, and I heard him introduce himself in this way: "Liberty of action is the right to do right. Liberty of thought is the right to think right or think wrong." That is the keynote of the whole situation. Think as wrong as you please or as right as you please—that is your own business. But liberty of action is the right to do right and only right. (Applause.)

The President—I had hoped, gentlemen, to have Mr. Schively here to give us a paper. But as he is not present we will now proceed with the Knapsack, and this evening we shall probably have a word from Mr. Schively.



CALIFORNIA KNAPSACK.

*GEORGE F. GRANT—EDWARD NILES, EDITORS.

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EDITORIAL.

In no other trade or profession can be found so many well informed, well equipped gentlemen, as regards moral and intellectual ability, as in the trade of fire insurance—nit! The social standing of not only the managers but of the young men who are bravely climbing the ladder of insurance fame slowly, toilsomely, uncomplainingly, with eyes ever like the ambitious youth whose orb shone like a "falchion from its sheath," the social standing of them all, I say, is fixed, and they are ranged beside leaders of fashion. Their deportment, too, is the envy of lesser Chesterfields, and the business is dignified and exalted because of this—nit! Peace, harmony, good will, love of mankind, consideration for the feelings of others, pity for the fallen and those in distress, charity for the faults and foibles of others, these are the characteristics and virtues of the fire insurance people the world over—nit!

In employing the symbol "nit" one can, of course, be accused of using slang, but what is "nit?" Is it equivalent to saying "I do not think so," or is it the equivalent of a result—like the operation of the surgeon, the result of which was perfect as a performance, but the patient died?

In sporting parlance it is a "copper," as when you copper the card that is expected to win and rake down your pile if it loses. And when you think of it almost everybody coppers almost everything from the cradle to the crematory. One says, "He is a mighty good fellow—but," That's a copper, and is equivalent to, He is a mighty good fellow—nit.

With this simple definition in mind let us so regulate our own business affairs that the homely virtues and cheering amenities will stand stiff and stark, needing no adulation or flattery to support them. And thus will beneficence banish the copper—nit.

GEO. F. GRANT.

TWO OF A KIND.

There is not a striking resemblance between Berdan and Charlie Thompson when you see them together, and yet somehow local agents mix them up as if they were twins.

The fun of the complication commenced over an accident policy. For excellent reasons, Berdan ordered a policy from a local agent, and for similar reasons he had decided to give the application at date of expiration to another local agent in quite a different part of the country.

The first agent chased up Thompson on the street and said, "Say, Berdan, you want your accident policy renewed, don't you? I haven't heard a word from you and it is about to expire. Let me write it, won't you?"

"Sure!" said Charlie. "Let me see, how much do I carry? Twenty-five hundred? Well, make it five thousand this time and send the policy to my office."

"Oh, thank you," said the agent.

When Berdan got on to this little comedy it took some time to straighten out the agent.

One day in quite another town, Berdan was approached by a man who mistook him for Charlie. "Why don't you come around to the office, Thompson?" he said, "I want particularly to see you."

"Well, I have been so busy," said Berdan; "but what is it you want?"

"I want to submit an application for a threshing outfit—a first-class machine—moral hazard excellent, everything new. I only want a thousand dollars. Can't you stretch it a little for me, Mr. Thompson?"

"Well, as a rule we don't like them, but in your part of the country the risk seems to be different. If I could get enough to make an average it would be all right."

"Oh, I can get a dozen of them," said the agent.

"Are you sure?"

"Certainly. I think I can get as many as fifteen."

"Well, write them up," said Berdan.

And here is where Charlie Thompson, after a letter from the head office, found himself the subject of some cross-examination.

They each carry a photograph of the other now and they call the game even.

"In reply to your question asking if I cannot catch a risk for you, would say, there is little possibility of catching anything but the smallpox in this village at present."

CITY SOLICITOR.

"Do you belong to one of those 'clubs' we read about?" said the good manager to his Chinese solicitor.

"What you mean? Club? What you call club?"

"Why, all the same meeting place, highbinders' society; sabe?"

"The only highbinders' society I belong to is the Baptist church; heap fine," was the reply.

TEN LITTLE TYPEWRITERS.

[The author of this has been blacklisted by the Typewriters' Protective Association.]

Ten little typewriters all in a line,
 One read novels and then there were nine.
 Nine little typewriters, often rather late,
 One left too early and then there were eight.
 Eight little typewriters, hardly fit for heaven,
 One winked at the cashier, and then there were seven.
 Seven little typewriters, pert and full of kicks,
 One was too sassy, and then there were six.
 Six little typewriters, very much alive,
 One married a plumber and then there were five.
 Five little typewriters, wanting to get more,
 One struck for a raise, and then there were four.
 Four little typewriters, frisky and free,
 One had a bad spell, and then there were three.
 Three little typewriters, with little to do,
 One misread her notes, and then there were two.
 Two little typewriters, anxious for fun,
 One lunched with the special, and then there was one.
 One little typewriter, whose work was well done,
 Dictation killed her, and now there is none.

CONUNDRUM.

Q. What is the difference between a special agent before and after his company was "amalgamated?"

A. Before: He is out of the town doing business. After: He is out of business doing the town.

SHORTY'S DEFINITION.

In one of the growing cities of the San Joaquin Valley (not over 1,000 miles from the centre of the raisin district) there is a fire insurance agent whose stature is in inverse proportion to his good qualities and hustling abilities. In point of fact his inches are so limited that he is known to the entire population, for a radius of 150 miles, as "Shorty." But he can do more "hustling" and collecting and soliciting in a given time than ten times his weight of the average material.

Among the specials who visit "Shorty's" agency is a lean and lanky individual between whose expansive feet and bristling top-knot there intervenes a space of nearly 6½ feet. When these two go out together after business—the one trotting along with short and rapid steps close to the pavement and the other striding sedately onwards with the aforesaid top-knot brushing the awnings overhead—the effect is overpowering, and the populace onlooks with astonishment and cackination.

One day the special had some private business at the county courthouse, and "Shorty," always obliging, said "Come along with me, I'll take you there; I know just the feller you want to meet." So they went. As the strangely assorted pair passed through the grounds and approached the steps of the courthouse—"Shorty" jigging along ahead in his nervous, energetic fashion and the special lagging behind to admire the broad entrance and tall, imposing columns of the building—the former said, "Well, Charlie, what do you think of our courthouse?" Charlie replied: "It's fine, 'Shorty,' I like that front and those columns—they're bully! What are they, anyway, Doric, Ionic, Corinthian—what are they?"

"Them? Why Hell! they're *brick*!"

And "Shorty" disappeared up the steps.

The dwelling was a total loss, and the occupants barely escaped with their lives.

"Did you save nothing?" asked the adjuster.

"Well, it is like this," said the assured, "my wife woke me out of a sound sleep and we listened to the sound of shotguns apparently just outside the house. 'It's that gang of bad men,' I said, 'come to rob the place. They know we are alone tonight. But I will get my gun and give them a few rounds anyway.' My wife begged me to hide our money and jewelry, so we stowed it away carefully, and then I opened the door and looked out. The L to the dwelling was all in a blaze, and

the shots we heard were the popping of my supply of cartridges. I had only time to get my wife out of the house, and as for the money and jewelry, it burned right where it was so carefully stowed away."

THE RIPENING GRAIN.

An Idyl in Perspiration.

The summer is come, the Special leaves home for the grainfields; "uncut, cut and in sacks," where the big risk abounds and glory redounds from the capture of premiums in stacks.

He hires a team which at first it would seem had the stuff that would do for the turn, but the nigh horse goes lame, and the off one, though game, is spavined and not worth a dern. For lunch he takes cheese, several bottles like these and a bunch of five-centers for baits, and canned beans and fruit to make him astute, and a cork-screw to open the gates.

His special delight is displaying his might in wrestling those gates of barbed wires. He accumulates dirt, tears holes in his shirt, and like a mud geyser perspires. He goes every place, sunblisters his face, his nose is deliciously tender, and he looks like a man who is under the ban for having been on a big bender. He sleeps in a bed that's inhabited and he rolls, and he tosses till day, forgetting his prayers he grumbles and swears till you'd think him constructed that way.

More dead than alive he arises at five and goes for a wash at the well. When twelve hired men are done with it then the towel is his for a spell. He rides miles and miles, and the farmer beguiles with tales of low rates and much danger, but he only finds out that the thick-headed lout to reason and good judgment's a stranger. It's now time to return to the town for to learn if his rivals are much needing pity, but he finds them in smiles for while he's ridden miles, they've "nailed" four to his one in the city.

He heaves up great sighs, digs the dust from his eyes, for he's the most miserable of men, and he vows and declares and fervently swears that he'll never leave 'Frisco again.

Walla Walla, July 4th, 1901.

THE FATAL "13."

We enclose daily report favor Mrs. Gilbert. You will notice she left off the insurance on the harness. She came in to get the policy last night, but when she found the premium was \$13.00 she like to fell dead. She

wanted to put more on, take some off, or anything just so as to get rid of that 13. We took off the harness, so that now no 13 shows, and I guess according to her theory you won't have to pay any loss there.

AGENCY BOOM AT PETALUMA.

It is hard to make a good start in anything.

Even such wizards of finance as the late Jay Gould, Cornelius Vanderbilt and John Jacob Astor, we are told, were pleased to say, when in a genial, reminiscent mood, "The first thousand is the hardest to get, my boy."

They knew, for they sold books, rowed boats and cleaned furs for the thousand which was the base of their golden structure.

I never began a business trip without forebodings of failure, and when I started on a recent journey, my depressed, chastened, Salvation army expression discouraged the train boy, who passed me by and omitted the usual overtures in behalf of his underdone peanuts and over-ripe bananas.

And yet I was on the very threshold of a glittering success. So true is it that "we know what we are but know not what we may be." And if I covered myself with glory, the way I did it was not difficult (for me), and I boast not, for well do I know that "any feat accomplished, seems easy enough afterwards."

As I was gently sinking into a doze the brakeman shouted, "Tloomah! Tloomah!" and I lurched forward, grasped a valise with one hand and a suit case with the other, and alighted on the platform. Great changes had occurred at Petaluma since my former visit. The old depot was replaced by a noble structure of grey stone, with tiled floors, mosaic ceilings, spacious refreshment rooms, a magnificent bar, and a new, automatic ticket seller, operated on the slot principle. Sousa was there with his band, playing a medley of the "Liberty Bell March," "Beethoven's Sonata in G minor," "The Blue and the Gray," Mendelssohn's "Song Without Words, No. 9," and "Don't you Remember Sweet Alice, Ben Bolt." For a few moments I stood entranced, and then as the music subsided with a long diminuendo movement of the trombone and piccolos, accentuated by the melodious rumble of the oboes and saxaphones, and the deep booming of the big bass drum, our agent stepped forward, lifted his hat, and escorted me to his gold-mounted automobile. "If agreeable to you," he said, "we will go to the house. You smoke, I believe; oblige me by taking a cigar." He

handed me half a dozen Napoleons (of the dollar kind), and we started.

The view, as we glided swiftly and smoothly along, was exquisite. The city had a metropolitan and yet a rural air. All that I now recall is a vista of neat, one-story brick buildings (with their occupants sweeping the streets in front of these respective locations, this being their invariable custom every Saturday); fields of golden pumpkins, and acre after acre of picturesque whitewashed hen-houses, while thousands of cows gave a pastoral air to the landscape. We soon reached our agent's residence, an unpretentious but homelike three-story building of white marble, with onyx pillars in the Ionic-Doric-Queen Anne style.

"You will scarcely believe," said our agent, as we entered, "that this little home represents my income from fire insurance alone, during the past year." As the entire premium receipts of our company, from the Petaluma agency for 1901, had been but eighty-seven dollars, I did feel a mild surprise, but said nothing. I generally do say nothing, and that is one reason why some think me wise, but my wife knows better.

Passing through the superb hall, I tripped over a silken rug, which, as an expert, I at once recognized as the genuine Hamadan-Enfijian-Tiflis, containing not less than a million loops, each loop knotted by hand. I regained my footing after an exhilarating scramble which nearly dislocated my right ankle, just in time to receive the cordial greeting of our agent's wife and two charming daughters. "The three Graces!" I mentally exclaimed, and then realized as never before, that the Petaluma type of feminine loveliness is matchless. Imagine if you can, Venus, Psyche, and Maxine Elliott in a group, and the reality will exceed the mental picture. I blushed, stammered, and with some presence of mind disguised my embarrassment by remarking in an offhand way: "Why is it the scrubbiest looking men have such lovely wives and daughters?" Our agent laughed heartily, and led the way to the dining room, where we partook of a plain luncheon of plover's eggs, quail livers, en brochette, with peachstone clams, pate de foi gras, terrapin, oyster crabs, broiled meadow larks, mushrooms stewed in cream, Nesselrode pudding, Champagne and Petaluma cream punch, served in bumpers. It was homely fare, but good of the kind. After luncheon the ladies sang solos and duets, from Martha, Lucia, and Rigoletto, closing with the Bohemian Melodies of Pirani, on the piano, with accompaniment of second and third pianos.

Our agent then drove me to the office, the auto having been replaced by a barouche and four-in-hand, bought at the late Marcus Daly's sale.

As we entered the office (which is but a few doors from Atwood's well known book store) our agent handed me a bunch of reports.

"There are thirty-three dailies," he said. "It's all new business. Sorry I couldn't do better, but I didn't know until yesterday you were coming. There are seventeen detached dwellings, nine brick mercantile buildings, four churches, two public schools and the courthouse. The gross premiums are \$995.75, plus old balance of \$9.30—\$1,005.05. Deducting commission, \$149.36, balance is \$855.69, for which I have exchange on San Francisco, payable to your order." And he handed me a draft drawn for that amount by the Wickersham Banking Company, on the Bank of California. "Here is your register and the policies on hand and an up-to-date report of the fire department and water supply, width of streets, direction of wind, population, number of hydrants, average pressure, names of agents and the companies they represent. Calendars I consider a wasteful extravagance and desk blotters a reckless throwing away of the company's money. I don't need any supplies and always use my own letter paper. Postage I never include, as it is too small an item to bother with, and our banks never charge me exchange. I haven't heard of any rebating or excess commissions, and have no 'kicks' on. Come and see me whenever you can, and make my home your home. I think your company the best in the world and your methods strictly AAA1. Well, *must* you go? Good-by. Kindest regards. Come again soon;" and I boarded the train.

To say that I felt encouraged would be drawing it mild. Paradise and Petaluma seemed synonymous terms for awhile, until my rosy meditations were rudely interrupted by the Pullman porter, who shouted: "Time to get up, Boss! This is Corinne, and we will be at Ogden in less than an hour."

Yes, it did seem too good to be true, but that's always the way with dreams. I know, for I've had them all my life.

Mr. Young E. Allison, of the Insurance Field, prints every week good Knapsack articles under the head of "The Passing Show." We do not intend to steal his thunder, but the following is "too good":

"It's strange I can't git no more companies," said Mr. Smith. I got good barns up there all over the country to write, but I can't git no companies to take 'em. An' still I got a good loss raysho on barns that I could place. My loss raysho last year was only 7 per cent. I wrote up seven barns and only one of 'em burnt. I figure that up even 7 per

cent. There's folks out there in Burley county jist crazy to inshore their barns, but I can't git no companies to take one in ten of 'em. An' it ain't doin' no good to public opinion for the companies to shy off like that. When a farmer's had two or three bad crop years, is run in debt and can't see much way ahead, he needs inshor'nce and he ought to have it. But, dang my hide if I can git it for 'em much as I know. I thought I knowed the inshorance business putty well, but these here late capers in the reinshor'nce line has about made me holler putty low and soft."

THE SPECIAL AGENT.

I sing of the Special,
The peripatetic insurance man,
To whom all seasons are alike.
Whose cheerful warmth congeals not
At thirty below zero, and on whom
The torrid blasts of Arizona
Merely act as a mild stimulant.
He is a free-for-all target.
The plodding scribes in the office
Regard him neither as a necessary
Cog in the machinery,
Nor as an ornamental adjunct,
But eye him darkly, and damn him
With the faintest kind of praise.
Even the supply clerk
Disapproves of his methods
And mutters strange oaths
As he fills his insatiate demands
For agency blotters, figuring pads,
And pocket expiration books.
And the engaging but capricious young woman
Who justly prides herself on her
Large acquaintance with the
English language as practiced in
Oakland and Alameda,
Nervously twists her pivot waist
And shrugs her shoulders in disdain,
As she strikes the keys

Of the typewriter
And prints long letters
To be signed by the Manager,
Conveying plain and pointed
Instruction and telling
Just how to do it,
Ripping the aforesaid special
Up the back
With a bold, free stroke.
If anything goes wrong,
From a failure to remit
To an unsatisfactory fire,
They all take
A whack at him.
But, thanks to the wise
Economy of nature,
His hide (metaphorically speaking)
Is of a toughness like unto that
Of the rhinoceros or crocodile,
And from it the shafts
So gratuitously aimed
Recoil, like the eccentric
Boomerang of Australia, and
"Never touch him."

A county official in a prosperous mountain town bought the banker's insurance agency, consisting of six companies. At the end of the first month five of the companies set up a howl for not having received a single renewal, while the sixth company was delighted with the handsome increase. The special agent of one of the disgruntled offices first arriving on the ground, had blood in his eye and proceeded to investigate the case. Upon asking the agent why it was that he had failed to renew any of their policies that had expired during the previous month, the new man at the wheel very promptly replied that he had not lost a single risk and thought *that* was doing pretty well for a new agent that knew nothing about the business. The special agent was then puzzled and began to think his office had misinformed him. He asked to see his register, but lo and behold! no entries had been made in it since the transfer of the agency. He then turned back to see if

any policies had expired during the last month, and he found not only a number of brick business risks but a \$5,000 line on the County courthouse and another on the school building. This was too much for the special. He at once demanded an explanation as to what had become of his renewals. The agent again stated that he had not lost one of them but had placed with the Eagle Insurance Company the renewals of all the companies in the agency for the month and that he intended to give one of the other companies all the renewals for the next month, and so on, explaining that it was more convenient for him to do this, besides, as all the companies belonged to the board each would get its share of the business anyway.

At a dinner in San Francisco not long since, enjoyed by most of the visiting specials from the Northwest, it was most aptly illustrated that the wrong thing is easily and thoughtlessly said at the wrong time. It is a well-known fact that the most disagreeable and unpleasant part of a special agent's duties are the weeks spent in the grain fields during the hottest part of the year, driving from one farm to another in the dust and sweltering heat, from early morn until night. The subject is a painful one to all and is avoided whenever possible, as it only serves to bring to mind unpleasant memories of long days and long nights spent in the sometimes further pursuit of the elusive grain premium. It was early in the evening, the first cork had popped and the glasses filled, and conversation assumed that easy and confidential tone between neighbors; the hum of voices, clink of glasses, the smoke of good cigars, music, etc.—in fact everything (except possibly the presence of the fair sex) would seem to tend to put every one in that happy mood which a banquet of good fellows only can bestow, when the master of ceremonies slowly arose, held up his right hand as if to command silence, and said, "Gentlemen!" In fact he said it several times in the most impressive manner, but the jolly diners refused to be impressed. Finally, silence was obtained, and at this juncture one of them arose, glass in hand, and exclaimed, "Boys, here's to the Walla Walla grain season." A howl of rage went up from the others, and almost everything loose on the table went flying in the direction of the unfortunate young man who hurriedly sat down and profitably employed the next few moments in eliminating from his broad expanse of shirt front and other portions of his sartorial anatomy the table d'hote menu a la Francaise.

THE COURT OF FIRE CLAIMS.

Through the courtesy of Manager Gurrey, of Honolulu, the Knapsack is able to present a sample of what the Hawaiian claimant can do with a voluntary statement. It will be remembered that the fire started by the authorities "got away" from the department; hence the "court of fire claims."

The court of fire claims got through temporarily with Hawaiian claims yesterday afternoon, to take them up again at a future date. On Monday Japanese claims come up again. The Hawaiian claims heard yesterday were for household goods, etc., and all seemed to have been made out on a liberal scale. Rank perjury has been perfectly apparent in some of the claims submitted.

Mrs. Owela Ah Sam presented a claim for \$471.50. She gave her occupation as housewife and said that her claim was for clothing and furniture. Most of the stuff burned had been new at the time of the fire. Under cross-examination by Attorney Dunne, representing the government, she admitted that her valuations were "all flying guesses."

"We will make some flying guesses too," said President Macfarlane, and for the rest of the day "flying guesses" was quite a popular expression.

Mai Ailau had a claim of \$597.35, but she didn't know it. She told Dunne it was \$500 and then that it was \$577.30. Unlike the preceding witness, she at first remembered the cost of everything in the long list of articles she gave the commission. Later, however, she admitted that she too had made some flying guesses.

Mai had been buying furniture for fifteen years, and it all went up in the big fire. Like most of the Hawaiians she had some valuable calabashes. She had an \$18 hat, with a valuable ostrich feather, and the flames devoured it. She had a tent, which she used when she gave luaus. Testa wanted to know if she had had any children, and she said she had not; whereupon the wise judge wanted to know why she put in a claim for a lot of babies' clothes. It was found that a friend of hers had a grandchild.

"Did you ever pay taxes on any of these things?" asked Testa, holding up the long, typewritten inventory.

Mai said she had never paid taxes, and was excused to make way for S. W. Keleikinia, who wanted \$783.78 for his losses during the conflagration.

A very large number of Hawaiian claimants are represented by "attorney" Nakookoo, who is subjected to a series of very regular

roasts from Testa, who objects to Nakookoo's style of mathematics. It appears that J. M. Riggs, clerk of the court, does not add the same way as the ex-Sergeant-at-arms of the house, and it is often found that Nakookoo's totals have to be altered.

Lahala Mauiawa's claim for \$31,077.50 was heard by the court of fire claims this morning. She is in the fish-selling business, she told the commissioners, but she swore that she had 48 hats, over \$2,000 worth of holokus, and a similar stock of valuable clothing, before the Chinatown fire destroyed it all. Lahala's claim is a long one, with a sworn inventory of what she lost. She lived in Chinatown, in a house valued by the assessor at \$425, but which she declares was worth \$5,000.

The following are some of Lahala's stated losses:

50 Silk Holokus	\$2,500
1 Gold watch	100
8 Bibles, gilt edge	16
50 Crazy Quilts	2,250
10 Silk Shawls	400
4 Dozen Ladies' Hats	1,200
4 pair earrings	200
4 Gold bracelets	100
1 Dozen rings	600
4 Dozen silver sleeve buttons	1,000
100 boxes ferns, etc.	1,000
200 Ti leaf trees	400
1 Orange tree	100
2 Pear trees	200
1 Flag pole	50
2 Cooking pans	8
100 Lauhala bundles	1,000
15 Koa trunks	225
20 Mats	200
20 Kalabashes, kou	500
6 Koa bedsteads	900
1 Kukui tree	100
Monkey Pod trees	3,200

Mrs. Mauiawa was not in the storekeeping business. She just happened to have an enormous stock of jewelry, clothing, etc., when the fire came. Her claim has not been adjudicated yet.

HE RECONSIDERED.

It happened so long ago we can afford to tell the story now. The scene is laid at the Mastiff Rotisserie and all the specials we could round up were dining in good fellowship, beaming with healthful enjoyment and warm with kindness for all insurance mankind. All but one was there and soon a telephone call informed the master of ceremonies of the reason why. "They are not very well at home to-night," said he, "and I don't like to leave the folks alone; beside I am not quite up to the mark myself. Give my love to the boys and explain my absence, like a good fellow, will you?" "Certainly," said the master of ceremonies, "but I am so sorry for you; we are in a private dining room and as a great surprise I have arranged to have Little Paprica, the dancer, do a turn on the round table after black coffee. The boys won't know a thing about it, and I only tell you because you can't be here." "What's that?" asked the sick man. "Oh, yes of course! Well, if it is of so much importance, I may come down for a while. I will explain the business to my folks, nothing but the annual statement would bring me out to-night. I will come right to the office—that is—er—to where you now are—in a few moments." Bang went the telephone receiver. Then the genial host went in and gave the snap away to the boys. When the sick man turned up—as he did in surprisingly quick time—he looked as well as anyone, and he was received with much enthusiasm. The genial host said to him in a stage voice aside, "Don't let on about Paprica, whatever you do." "Course not!" said the sick man.

To those who have imagination the story ends right here. To others, it does not matter.

Honolulu agent asks: Is this form all right?

"\$1,000. Favor David Loaukemahau

On the four wooden buildings with iron rooves, located on the Hamakua side of the road leading to Laupahoehoe, Island of Kakahehau—on each an equal amount on each."

Answer: It strikes us there's a word or two misspelled, but if you say so it goes.

Arizona agent writes: "We believe rates are not too high, for experience has taught us that our brick blocks burn. There is always something wrong when a fire occurs—either the water is short or the bricks go off spontaneously."

IN THE NAME OF THE PROPHET.

Praise be to Allah who adjusteth all differences, and blessing and peace to those true believers whose paths are straight and without the shadow of turning. May their lives be as full of pleasantness as the pomegranate is of seeds, until the day of judgment.

To proceed: In the reign of the great Caliph Haroun al Raschid, who was known as the Prince of the Faithful, there flourished in the ancient and glorious city of Bagdad a worthy and never-too-much-to-be-praised Syndic for the relief of those of the true faith, whose bazars, household goods, merchandise and other like treasures might be consumed by the devouring flames. This illustrious company was known as the Recompense for Misfortune, or the Discourager of Poverty, and many were the Scrolls of Guarantee that it issued.

Now it happened on the fourteenth day of the second month that word was brought to the Syndic that the said-to-be priceless possessions of Zuleika, the Star-Eyed, had suffered by reason of flame and smoke, but whence arose this evil fire, or from what devilish cause it proceededeth none knoweth.

Then the chief scribe of the Syndic wrung his hands and saith: "May the vile Afrite who blew the blast from the abode of the damned, perish in torment, for, verily, this upsetteth calculations, reverseth contingents and diminisheth dividends." Then he summoned the Chief Depreciator and saith: "Hasten, O Diminisher, and decide quickly if Zuleika of the resplendent optics hath a just claim, or whether she lieth in her alabaster throat. Take with you a copy of the Covenant betwixt us and return on the wings of the wind, for I perspire with apprehension and am dying seventeen separate and distinct deaths from anxiety."

"On my head and eyes be it," quoth the Depreciator. "Verily, haste and good judgment are indispensable to me, and were to my father and grandfather and great grandfather before me."

"Lengthen not thy words," answered the scribe, "lest the calamity into which we have fallen be increased by the burden of thy speech."

"I hear and swiftly obey," replied the Depreciator. "Verily thy mouth drippeth honey like the honey-comb, and thy words are engraved on my understanding that they may be a lesson to him who would be admonished. I will settle with the damsel and what I will do shall seem fit to her and verily she shall not oppose me, for doth not the Prophet say: 'I sought for myself that which I deserved not and which was not suitable to me, and whoever seeketh that which is not suitable falleth

into a calamity like that into which I have fallen. There is no duty but Allah, and speedy is the stroke of Fate.' "

"Prolong not thy discourse," said the Chief Scribe, "but get a swift move on thyself, I conjure thee, by Allah."

"Dark," replied the Depreciator, "is the day of separation; bright is the day of union. I will do what seemeth fit to thee nor will I oppose thee. I hear with the ears of judgment and I obey with the swiftness of the Apostle's Arabian steed." So saying he departed and soon entered the abode of the distressed damsel and opened negotiations as follows:

"Beauteous maiden, thou art resplendent as the moon in its fourteenth night. Verily thou art high bosomed, with joined eyebrows and eyes like those of gazelles. All charms are thine: cheeks of roses, a skin of milk, and laughing teeth. Surely thou art a source of disturbance unto women and men. What troubleth thee, Zuleika?"

"Naught do I ask of thee," she replied, "but that thou perform the contract. Five thousand golden sequins will not restore to me my silken rug, the like of which the world never saw before, and compared to which those of the Sultan are as rags; nor replace my magnificent shawl of India, both of which were ruined in the flames. In the holy name of the Prophet I ask that thou pay me my just demands."

"Where gatst thou the rug of silk and what paidst thou for it?" asked the adjuster.

"It was a gift," she replied, "and he who gave it to me has gone to his fathers."

"Show me the fragments; why, this is not even mercerized. 'Twas a rug of Smyrna and cost at retail in the bazars about twelve United States dollars."

"United States!" said the maiden, "I know them not."

"That's right," he replied, "for they haven't yet been discovered. But if you marry me your descendants will be over there holding auction sales of real Iran and Bokhara rugs and Damascus embroideries in the dim and distant future. Now let me see what was left of the India shawl. Um-m! Where did you get this treasure of art?"

"It came to me from my mother, and another like it was never made."

"Why, girl!" said the adjuster, "verily your imagination astonishes my mind. Beware lest thou fall into a calamity. Knowest thou not that India shawls are made of thousands of infinitesimal squares cunningly sewn together with such dexterity that the most complicated designs and all shades of color are wrought into the most elaborate and artistic figures?"

Although this garment of thine that hath the center burned out was not specially improved by the fire, even now it could have a circle of rag carpet stitched in and 't would make a door mat fit for a palace. But mistake not, it never felt the burning sun of India. It's a Paisley shawl, such as are turned out by the thousand not only at Paisley, where they originated, but in many other towns in Scotland. Good ones are worth now from twenty to thirty-five dollars each. This one probably cost thirty. It has been worn and had a value at the time of the fire, of say twenty dollars. To this we add for the Smyrna rug, twelve, less depreciation of thirty per cent, equals eight forty. Just sign the papers there and there, and here are the golden ducats."

"Art thou not possessed of charity and kindness?" said the fair claimant. "Verily, the world becomes dark before my eyes."

"Again shalt the sun warm thee with his golden rays, Zuleika. Thou shalt become the central light of my harem, and the adjustment shall give to me such glory that ere many moons I will be to the Syndic even as Rockefeller is to the Standard Oil aggregation," replied the Depreciator.

And verily, even so it came to pass, and they lived happy ever after.

COHEN'S SMOKE DAMAGE.

Smoke damage claims, exorbitant, outrageous and diabolical, were turning up with alarming frequency. I had been wrestling with one after another until everything I looked at seemed to be in a condition of eclipse, and I could quote the Kinne rule in every language from Sanskrit to Fiji.

At last the air began to clarify and I was preparing to go out to the green woods where the wicked cease their troubling and where the weary find rest, when I received a message urging me to go to Pendleton at once. The three words, "Bad smoke damage," in the message, almost brought on a stroke of apoplexy, and an unchristian, ungodly desire to commit murder took possession of my soul.

I reached Pendleton at an early hour in the morning, had breakfast, and began a still hunt for my victim. I soon located him. His name was Cohen. I wandered into his store, and my heart immediately went into my boots, for the place was, even now, saturated with a thick greasy smoke, and that notwithstanding the fact that the windows and doors were all wide open.

The stock was a large one and apparently a good one, and my first rapid mental calculation suggested a loss of from \$3,000 to \$5,000.

I found Mr. Cohen and told him who I was, and my mission. He simply shrugged the hump on his back up to the rim of his hat, and turned the palms of his hands toward high Heaven. Again came upon me that unrighteous desire to carry fire and sword to the children of Israel.

"Look here, Cohen," I said sternly, "how did you manage to get all this smoke in here?"

"So hel-lp me," answered Cohen, "I couldn't hel-lp it; the fire vas in the butcher shop next door, und the schmoke shust comed in from everywhere all aroundt; but so hel-lp me, my friendt, it only hurt the fine goods. It make the clothing better."

What? Did my ears deceive me, or were these continual settlements of smoke damages driving me insane? When I could safely trust myself to speak, I said:

"Well—ah—umph, I know it improves the clothing, but did not know it hurt the fine goods."

"Vell, my friendt," answered Cohen, "if th' goods vas in Portland or San Francisco, it would hurt 'em all, but out here the rancher und the sheepman, und the miner, he don't stick his noses into other beoples business to schmell for smoke. He schoost crack his whip und back one two, three big wagons up to the sidewalk, und say 'Cohen, I vant this; Cohen, I vant that,' und I pack everything up und I say to him on the sly that I hav' dem cloding specially smoked to keep th' rain out, und th' heat out, und th' cold out; und he vink und he say 'Charge it up, Cohen.' But th' fine goods, that go on the women's necks und other places, they leave th' black mark, und they von't sell."

"Well, Cohen," I said, "how much of a loss do you think you have?"

He went to a desk and pulled out a statement already prepared, all nicely itemized, showing a partial damage to hundreds of articles of fine wearing apparel, ribbons, ties, etc., amounting in all to \$203.35. I paid him on the spot, and took the receipts, after which I said:

"Mr. Cohen, you are an honest man, and I never paid out a dollar for a loss with so much satisfaction."

"Vell," he replied, reflectively, "Cohen don't vant somtings for notings, even if his name is Cohen."

Why was not the Phipps policy renewed?

Because Mr. Phipps has committed suicide and gone out of business.

ANOTHER ARIZONA ADJUSTMENT.

As this claim is the only one of the kind I ever adjusted, I submit the facts in detail, premising that this is the one loss in my experience where the "woman in the case" worked in our favor.

On November 15, 1901, Overwood & Frankfurt, our Tucson, Arizona, agents, issued policy No. 32,023,699, Norridge United Fire Assurance Society of Norridge on the Trent, Stoke Pogis, England, said policy having been duly countersigned by His Grace, the Duke of Buccleugh and Aber-r-r-gaveny (Chairman of the Board of Directors), and by our Tucson agents, as required by the laws of Great Britain and Arizona. Name of assured, Skinner and Buncode, amount \$1,500, covering as follows:

- \$500 On their one story, metal roof, frame building, with half story frame bunk house (with roof made of old tin cans) abutting and adjoining due south of and in the rear of said one story building as above described, all only while occupied as saloon and residence by the assured (or by an approved tenant) while situate on assured's premises, Lot No. 5, Block No. 44, west side of Main street, between Nigger Gulch and China Alley, in the town of Congress, Arizona.
- 250 On their stock of wines, liquors, cigars, cigarettes, playing cards, poker chips and similar merchandise such as is usually kept for sale and use in a first-class saloon.
- 200 On their upright piano.
- 150 On their two billiard tables and their equipments—being \$75 on each billiard table and its equipment.
- 75 On their ice chest and
- 325 On all other bar and bar room furniture and fixtures, including glassware, tables, chairs, stoves, cuspidors, shot-guns, rifles, revolvers and ammunition for same and such other furniture, tools and fixtures as necessary in the saloon business.

All only while contained in the above described building.

Lightning, benzine, gasoline and acetylene clauses.

It is understood and agreed that the benzine warranty clause shall not be construed as limiting the amount of liquors kept for sale in said building.

The fire occurred on or about 2:00 A. M. January 5, 1902, and was probably caused by a back draft blowing burning coals out of the stove through open door of same.

The alarm (a fusillade of gun shots) was given by one of the steady (or unsteady) customers of the saloon, sleeping on the floor near the stove, who was aroused by the sudden rise in temperature and the pungent smell of burning leather caused by his boots being on fire.

The adjustment was made by me with Mr. A. J. Skinner, the senior member of the firm, who had a written authorization from his partner, Mr. E. Z. Buncode, to make the adjustment and sign proofs and receipts.

"It is evident, Mr. Skinner," I said, "that there can be no claim under the first item of the policy, covering \$500 on buildings, as it appears that your firm sold the buildings last month and the policy was not assigned."

"Of course," said Skinner.

"And as you rented the place six weeks ago to Whatte & Layton and sold the stock of liquors to them, there can be no claim under the second item of \$250."

"Sure," replied Skinner.

"And as the upright piano was moved I suppose there is no claim on that item of \$200."

"Well," he answered, "I don't want to be unreasonable, and if you say nothing goes, nothing goes, but I think we ought to have a hundred on the piano. It was moved but not by professional movers and it was hustled out in such a hurry that the keys were split, and the front was smashed into kindling wood. Besides the music rack was busted, the top and back were burned off and there was more than a barrel of water emptied out of its works. We paid \$650 for the piano and only had it three months—but just as you say.

"Certainly we will allow the \$100," I replied hastily, "and now we come to the fourth item—\$150 on two billiard tables; any damage there?"

"There is a little," said Skinner, "about another hundred, maybe, but if you say not, why there isn't any charge. As you can see, the legs are gone, the cloth is burned and the beds broken up fine enough for slate pencils. The tables cost nine hundred dollars, without freight, and it cost over a hundred to land them here from Chicago."

"All right, a hundred goes," I answered.

"That makes two hundred," said he.

"And now how about the ice-chest?" I continued.

"O, the ice-chest," he replied, "that cost us a 'cool' hundred, insurance seventy-five. It's all right for kindling wood, but will never hold ice any more. Can you stand fifty?"

"Yes."

"Now on the rest of the furniture and fixings you can see for yourself. The front counter went up in smoke, the back bar and the plate glass mirror are smashed, and the beer pump is twisted out of shape. Everything is either burned or broken. The outfit cost nine hundred and fifty. Is two hundred too much?"

"No."

"Let's see, how much is that altogether—four fifty, isn't it? That would be two and a quarter apiece—um—let me see. I dunno about that—"

At that moment a beautiful girl passed the door, and tossing her head, cast a bewildering glance and flashed a row of pearly teeth.

Skinner turned pale and his hands trembled. "Did you see that smile," I asked, twisting my moustache and feeling very cheerful.

"At you?" he replied with a scowl.

"No, indeed," I answered, "never touched me. She looked squarely at you, old man; but isn't she a picture?"

His face changed its expression from that of a wolf to a spring lamb.

"Come right along with me," he said. "Were going to have a drink or two," and he piloted me into the "Silver Dollar." "She is the finest woman in Arizona, and here's to her health," he added, "and in nothing but Extra Dry."

When the bottle was half empty he became confidential, and said: "I'm in love with her and so is my partner. He is trying to win her and so am I. He gave her one of those cheap little matrix turquoise pins the other day, and I understand is negotiating for a lady's watch with filled gold case. He even expects to marry her when he gets his share of the insurance money, which he thinks will be enough to give them a little trip and start them housekeeping. He thinks he will get three or four hundred out of it."

He paused and appeared to be meditating deeply.

"Is she pretty?" he asked.

"Pretty!" I replied. "That word is too tame. She is a beauty, that's what she is—a perfect beauty. Whoever gets her wins a first prize in the matrimonial lottery out of ten thousand blanks."

"Shake!" shouted Skinner, and he laughed aloud. "Say, you're the swiftest insurance man that ever happened. If you run short of money before you leave town you can have all you want. Don't forget to give me your San Francisco address. I'm going to send you a copy of our newspaper in a week or two that may contain something of interest. Now let's finish the adjustment. I'm a square man and

wouldn't rob an insurance company. I made our claim four fifty didn't I?"

"Yes, and very reasonable, too," I added, "but you know we agreed to those figures."

"Yes, I know, but I'm going to reconsider. The billiard tables never did stand level and I never liked the tone of that piano. The ice-chest and the other furniture and fixtures were pretty well worn, anyway. Say about fifty for the piano, fifty on the billiard tables, ten on the ice-chest and forty-five on the rest of the plunder. That makes a hundred and fifty-five; that's seventy-seven fifty each.

"Why," I stammered, "that isn't quite enough, is it?"

"Plenty," he replied, "good and plenty; and we don't want the money until the limit is up; three months, isn't it?"

"Sixty days."

"All right," he continued, "so make up the papers and I'll sign them."

There was nothing else to do in view of the unique stand taken by Mr. Skinner, and I accordingly made up the proof in the sum of one hundred and fifty-five dollars.

Two weeks afterwards I received a copy of the Arizona Weekly Nugget containing the following marked item:

"By a notice under the appropriate heading in another column, it will be seen that Miss Grayce Smythe, the late accomplished teacher of the Alkali Flat district school, has been united in the holy bonds of matrimony to our respected townsman, Mr. A. J. Skinner, and both are now traveling in double harness. The happy couple have gone to Tucson on their wedding trip. The boys gave them a "shivaree" before they started, which broke the record."

LETTER FROM AGENT.

"When your special agent gets to town ask him if he likes boiled ham. He ate too much at Princeton, had an attack of indigestion, thought he had been poisoned, and got out of the buggy, went into a field and ate some wild mustard. He said that he saw a sick dog once eat grass, and besides he knew mustard was given in poison cases. After eating the mustard tops his stomach naturally grew a little warmer, but the poor fellow was still in misery. Upon reaching a farm house I asked for something to relieve him, and the old man brought out about half a glass of red looking stuff. He looked at it rather shyly but finally swal-

lowed it. The medicine evidently touched a sore spot, judging from the painful manner in which he doubled up and rubbed his waistband. I asked the farmer what the medicine was, and he said, 'Oh, that is Dr. Hill's horse liniment, the best thing in the world for botts, sprains and colic.'

"However, he finally recovered. It was a tough experience, but I couldn't help admiring the ready resource and presence of mind of your grain solicitor when he turned himself loose like old Nebuchadnezzar, foraged on the mustard, and then drank the horse liniment. Your special agents are good hot material.

FIFTEEN YEARS AGO.

A Paraphrase.

Comrades, are we weary?

Hath the way been long?

Do we faint and falter

Since the critic's song?

Ah, I well remember,

Fifteen years ago,

Then we knew it all—

Nothing more to know.

Then we were the stronger,

Agents knew our will,

And obeyed our mandates—

Gloried in our skill.

Nothing then appalled us,

No town we could not map;

Adjustments all were easy,

No one dared to yap.

Comrades, why deteriorate?

Tell me, comrades, why?

Now to save our bacon,

Comrades, let us die!

In answer to the printed question the assured wrote:

"Wee have a Brick Chimney it is two stories, but we only acopy the first storie."

To the Editor California Knapsack:

Dear Sir—In confirmation of the old saying, that corporations have no souls the following telegrams and letters are submitted verbatim:

Copy of Telegram from Local Agent to San Francisco Office.

Big Bug, Mont., Dec. 1, 1901.

Our bridge over Milk River Item one hundred and eight five policy five fifty five eight eighty two your Company was burned last night. Shall commence rebuilding to-day.

BROWN, Auditor.

JOHN ADAMS, Local Agent.

Copy of Letter From Local Agent to General Agent.

Big Bug, Mont., Dec. 1, 1901.

"I have received a telegram under date of Dec. 1st, as follows:

"Our bridge over Milk River, item No. 185, policy No. 555,882, your Company was burned during last night."

BROWN, Auditor.

I notice the item is insured for \$5,000 and thought it better to repeat telegram to you as received and have done so to-day.

Yours very truly

JOHN ADAMS, Local Agent.

Copy of Letter From Local Agent to General Agent.

Big Bug, Mont., Dec. 5, 1901.

I have just received your favor of 1st inst. re Big Bug and Sandy Railroad Co. loss and note instructions. I have asked the agent of the Company here to wire to the Auditor for a detailed statement of the loss sustained.

I have heard nothing from Auditor Brown since the receipt of his telegram much to my surprise, as I assumed that a letter would follow, having merely acknowledged to him its receipt with the statement that I had repeated it to you.

I will write again immediately upon receipt of the desired information.

Very truly yours

JOHN ADAMS, Local Agent.

Copy of Letter From Local Agent to General Agent.

Big Bug, Mont., Dec. 10, 1902.

Dear Sir—I have just received a letter from the President, of which the following is a copy, re the Big Bug & Sandy River Railroad Co.'s loss.

Very truly yours,

JOHN ADAMS, Local Agent.

Copy of Letter From President to Local Agent.

Dear Sir—Confirming message sent you on Dec. 1st, we now have to advise you that on the morning of December 1st, the approach to and bridge crossing Milk River, on the line of our railway was completely destroyed by fire. The cause of the fire is unknown and no knowledge of its burning was had until Sunday morning when the section men discovered it. Our insurance with your Company on this structure was Five Thousand Dollars.

We have decided to renew the bridge with a much heavier structure than the last so as to carry standard gauge trains over, and as this would have had to be done before spring, we do not feel justified in making a claim for more than the actual cost of rebuilding a very temporary trestle structure to carry trains over until we can rebuild the new bridge.

I append herewith the bill of material used in this work and hope that in making our statement of claim at Nine Hundred and Seventy Seven Dollars and seventy-five cents (\$977.75) your Company will see its way clear to make a settlement at once.

Yours truly,

JAMES HAMILTON, President.

Statement of Labor and Material Used in Making Temporary Structure Over Milk River.

40,172 ft. B. & M. Lumber @ 16c	\$642.75
2,000 lbs. bolts, spikes @ 3c	60.00
Labor putting in structure	275.00
Total	<u>\$977.75</u>

HAIL, SMILING MAY.

"I remember some years ago," mused C. C. May of Davenport, Wash., who was in a reminiscent mood one evening after supper at the Vendome Hotel, "that a certain special agent whom you all know, and whom we will call Jenkins for convenience, came into my office one day, and presented a letter of introduction from a friend of mine.

"Jenkins wanted me to take the agency of the North Pole Insurance Co., but as I then had more companies than I could possibly do justice to, I tried to head him off. But he insisted, so I took in his supplies and told him I would do the best I could.

"Well, I had a very pleasant visit with him, and the next morning he started for Spokane. The last I saw of Jenkins, he was leaning out of

the hotel bus, waving his hands and saying, 'May! Do some business, do some business, May.'

"That same afternoon a well-to-do farmer came in and wanted to insure his dwelling house. The risk was a good one, and I thought I would start Jenkins off with a new risk, so I wrote the farmer up for \$2,000 and put it in the North Pole.

"That night the dwelling burned to the ground, and you can imagine how I felt when I learned of it. However, there was nothing else to do but to notify Jenkins; so I went to the telegraph office and wired him as follows: 'I have done some business. Please come back and adjust.' "

THE EVOLUTION OF AN OFFICE BOY.

(A true tale with a moral.)

He would misdirect the letters
And would criticise his betters.

(As you and I have done you know; we must admit the truth)
And while agency blanks packing
With an energy quite lacking,
He smoked and read a "yellowback"; (as we did in our youth.)

He was office boy and roustabout,
Was seldom in and often out.

He thought his duties menial and kicked about his pay.
If a letter needed mailing
He was seldom within hailing—

He was like the average office boy you'll meet most any day

'Though he often let his work slip
He at last secured a clerkship.

A promotion of importance he esteemed it at the time;
But his duties grew monotonous—
(Contentment pure is not in us!)

He was still far down the ladder which ambition bade him climb.

But each ladder round was crowded
And his hopes were getting clouded.

His promotion, he was certain, was prevented by design,
So this became his motto gay—
He'd pass it 'round most every day—

"In Fire Insurance Offices Few Die and None Resign!"

Then he entertained the notion
That his very next promotion
Would be to the cashiership, when the old man passed away,
And he watched each shrunken feature
Of that old erratic creature,
With an interest quite phenomenal that grew from day to day.

Soon he saw alarming changes;
And it certainly most strange is
How an influence mysterious is exercised by will,
For the old man's health was failing,
He grew feeble, pale and ailing,
While the clerk of swift promotion every day waxed surer
still.

Though in need of a vacation
From his trying occupation,
The cashier went one evening late to balance up his cash
And repressed a dizzy feeling
'Till the figures went a-reeling
And fainting on his ledger he fell over with a crash.

At a desk the clerk was sitting
In an attitude befitting,
In speculative wonderment of what the future bore,
When he heard a stool fall clattering
And books and coin go scattering
And turning saw the cashier lying senseless on the floor.

'Though he'd marked the old man's illness,
He was startled by his stillness
When he went to his assistance and raised his bleeding head.
But he dragged him on a table
Just as well as he was able,
While he thought with satisfaction, "Well, at last the old
man's dead!"

Ah! How oft do good intentions
Bring but trouble and contentions
And how often have our charities brought regrettings sore!
Now instead of being thankful
For his kindness and the tank full
Of water all reviving, the old man sat up and swore!

To be robbed of a position
 And be sworn at in addition,
 Is more than one of spirit can with self respect endure,
 So in righteous indignation
 The clerk wrote his resignation
 And at once secured employment where advancement was
 more sure.

By earnest application
 To the duties of his station
 He early won the confidence and praises of his "boss,"
 Who rewarded his efficiency
 In various positions he
 Had always filled with credit; then he sent him on a loss.

To reach the top is his intent.
 He's now a "Special"—prominent.
 Intelligent persistence seldom fails to get its dues.
 If you work with brain or muscle
 To succeed you've got to hustle,
 For you'll never climb the ladder if you wait for dead men's
 shoes.

REPORT.

This is the way a valuable, intelligent, yet tired out special writes the head office. The scene is somewhere in Idaho, and how lifelike it all seems to those of us who have been through the mill:

"Outside of the store and the schoolhouse there is not very much we want here. There are one or two fairly good livery barns, and a fair hotel which sets an 'unfair' table. Two saloons dispense liquid disturbance to the sheep herders and cattle men who come in occasionally to break the monotony of hill life.

"I came in from —— yesterday, seventy miles on a buckboard, and will leave tomorrow for the railway by way of —— and ——.
 I expect to interview a corn doctor when I get back to Portland.

"There is great excitement in town this p. m., as the steer which the hotel-keeper was going to kill for supper broke jail and took to the hills. He is evidently not a believer in capital punishment, or cremation after death. All the able-bodied star boarders are after him, and if they succeed in rounding him up the Chinese chef will probably supply me with a juicy 'T' bone steak, off the neck.

"I know that all this is notoriously irrelevant and immaterial, but I have to work off something of this kind or submit to a dose of sage-brush blues. No man not bred on the desert dare tackle its whiskey."

TRUE TALES FROM THE ROAD.

He was postmaster and express agent in a small town, and the special agent, being new at the business, thought he had made a ten strike when he induced him to take up insurance.

The following is an exact copy of his first letter upon the subject of insurance, and I might add, he never secured a risk:

W—— 10-16-1891.

Mr. M—— Esq.

Portland OR

Dear Sir

I have sum inshuring Business fer You I have a house in D —— is used fer a Grocery & Chothing and sells beer by the Gallen one building 35 feet 1 stove Pipe Frame buildin No Cloth & Paper the house it inshur and I have a man here who wants sum hey & Grane & a sepperater in a barn to inshur a house about 50 ft from Barn with stove pipe and I will inshure my buildin the P O and I have rented the rest of my buildin to a man who is Puting in a General Mdse I want to inshure my buildin and he his stooock of Goods my buildin has 1 stove Pipe 1 tera Cotta Pipe and a barn 27 feel from buildin the man with the seperater & Grane wants to inshur the contents sepperate from the Barn as the Barn is not his send rate on Barn and the rate on all I have menciened and I will send in my appolication.

Hopping to here from you soon

I Remain yours Resp

P S my house has no Paper is frame Buildin

Scene: A local agent's office in the northwest.

Agent discovered pondering over the month's business and wondering how he can comply with the remittance rule.

A special agent, also discovered, in an obscure corner, laboring with his expense account and trying to locate the missing twenty.

Enter handsome young lady.

Handsome young lady—"Morning Tom! Say, I'm awfully sorry, but I didn't have time to finish this work for you yesterday; hope you don't mind. By the way, you mean old thing, you—"

Agent (hurriedly interrupting)—“Oh, ah, Miss Carbon, permit me to introduce Mr. Ashbuyer.”

Mr. Ashbuyer—“Delighted to meet you Miss Carbon!”

Miss Carbon—“Awful nice of you to say so, I’m sure. Are you an adjuster, Mr. Ashbuyer?”

Mr. Ashbuyer (modestly)—“Yes, I do a little in that line occasionally.”

Miss Carbon—“Well, you mustn’t forget me if you require any type-writing done. My office is right here in this building, you know, and adjusters have such a lot of writing to do.”

Mr. Ashbuyer—“Yes, indeed. Why, although I have a typewriter with me on the road I frequently require assistance.”

Miss Carbon—“You don’t tell me! Do you have a typewriter with you all the time?”

Mr. Ashbuyer—“Oh, yes. Have had for years.”

Miss Carbon—“Now you must find that awfully nice! Tell me. Is she a blonde or a brunette?”

(Curtain).

I had been called to adjust a grain loss a dozen miles or so from Lewiston. It was a small affair, quickly and amicably settled, and as I went to the stable to get the team to drive back to town the young farmer walked with me.

“I suppose you be stoppin’ at the Drayman House,” he said. “Yes,” I replied, “Have you ever stopped there?” “Well, no,” he answered hesitatingly, “can’t exactly say as I ever did, but I’m dummed sure I never will.” “I must confess,” I replied, “that the accommodations are not the best in the world, but it’s practically the only hotel in town and—” “Oh I ain’t takin’ no exceptions to that,” he interrupted, “its the scurvy trick they played on me last time I was there. You see, it was this way. When I got married I went to live with my wife’s folks as have a ranch near Farmfield. I’d just sold my place near Walla Walla and was expectin’ to pick up some of the new Nez Perces land, when I got a chance to get this place dirt cheap an’ I hooked on to it. About a month after I got married I left Mary Ann with her folks an’ come out here. They was lots to do, an’ I put in most a month fixin’ up and workin’ on the new barn, and then I sends for my wife. I tells her to ship all her things to Lewiston an’ to put up at the Drayman House. You see, the train gits in about dark, so we couldn’t drive out

to the ranch till next mornin.' Well, she writes me she'd come down all right, and I drives in an' puts up my team, and Johnson told me the train was a couple of hours late an' proposes we have a glass of beer. We'd had two or three glasses or so, and about seven I hikes over to the depot to meet my wife. Well sir, come to find out, the dum train was only half an hour late an' my wife had gone an' got located, so I walks in to the hotel an' starts to look at the book, when the clerk shoves a pen at me an' says, 'If you want a room we'll have to put you in the annex acrost the street 'cause we're full up here.' 'Taint no room I'm after,' says I, 'it's my wife.' 'What's her name?' says he. 'Oatman,' says I. 'There ain't nobody here by that name,' says he. 'Mighty dummed strange!' says I. An' I turns the book 'round an' reads the names of the folks what's just come. Well, sir! What do you think? My wife had gone an' put her name down as Mary Ann Granger—what it was before she got married! You see she'd never stopped at no hotel before an' she must a got kinder rattled like. 'That's her,' says I, pointin' to Mary Ann's name. 'I see she's in 28 an' I'll go right up.' 'Guess you'd better not,' says he, 'you just step into the parlor on the next floor an' I'll call her. Thought you said her name was Oatman?' Well, I tried to explain, but he just sniffed an' asked me if I'd like to meet Miss Granger in the parlor. 'What's the matter with my goin' right up to the room?' says I, gettin' kinder hot, an' he says to me, says he, 'My friend you can't do it. It's strictly agin' the rule of the house. The rules is on a card in every room, an' you'll find one on the parlor door. You'd better read 'em while I tells Miss Granger that Mr. Oatman would like to meet her in the parlor.' Well, sir, he wouldn't have it that she was my wife, but Mary Ann an' me goes down to supper an' then we had a long talk in the parlor. It was gettin' late an' the fresh guy he comes up an' says as how other folks was complainin' of our talkin' an' wants to know if I'd like to go to my room in the annex. Well, I got red-eyed, but Mary Ann she says seein' as how I was up agin' it I'd better go to my room an' not have no row; so, to keep the peace I done as she said. No sirree! The dummed Drayman House don't get no more money of mine!"

When I returned to town I read the rules, and this is an exact copy of the one to which he referred:

"No gentleman or lady will be permitted under any circumstances to receive callers of the opposite sex in the rooms, a parlor being provided for that purpose."

While it is safer to make love to another man's wife than to stimulate a kitchen fire with kerosene, yet both are samples of improper vice.

The President—We are under many obligations to our genial friends, Messrs. George F. Grant, Edward Niles and our several members who contribute to, collate for, and devote so much time to, this feature of our annual entertainment. Now that the enjoyment of the Knapsack is over, we will listen to the report of the Committee on President's Address. I call upon Mr. Folger for the report.

GENTLEMEN:—

Your committee appointed to consider the Annual Address of the President beg leave to report as follows:

The committee fully agrees with the opinion of the President that the labors of those members of the Association who have prepared technical and other papers during the last twenty-five years, have not been in vain, and that many of these papers have become established as authorities in their respective lines. The committee cannot agree, however, that it is expedient to publish in one volume "all papers bearing on losses and loss adjustments," especially if the original recommendation on this subject were to be followed, which required the selection of certain papers as more meritorious or practically useful than others. These comparisons could not but be embarrassing to any committee appointed for the purpose, and hurtful to those whose papers might be excluded; and as the majority of the members of this committee have contributed numerous such papers, they have no delicacy in recommending that the proposed publication be not made.

The committee has considered the recommendation that a special committee be appointed to consider the subject of "the deterioration of the special agent." This committee is not willing to admit that such deterioration has occurred, or is likely to occur, on the Pacific Coast; but, in view of the importance of the subject, recommends that the incoming President procure papers dealing with it from leading members of the Association to be presented at the Annual Meeting in 1903.

We concur in the congratulations of the President upon the financial prosperity of the Association, and the committee believes that the action

of the Association taken at this meeting will cover all the ground desired in connection with the library.

Respectfully submitted,

HERBERT FOLGER,
WILLIAM SEXTON,
C. MASON KINNE.

Mr. Folger—On behalf of the committee, Mr. President, I move the adoption of the report.

The motion was duly seconded and passed unanimously.

The President—We will now proceed with the election of officers, if there be no other business to come before the meeting.

Mr. Lockey—Before proceeding with the election of officers, Mr. President, there is a subject which it seems to me is of importance to insurance men generally, and which I would like to present, and that is the matter of a uniform system of blanks for use in the settlement of losses. We have a standard form of policy, which has been adopted and is used by most of the companies, and yet when adjusters meet on a loss, nearly every adjuster has a different blank from that of his fellow adjusters. The blanks that are used for submission to appraisal, schedule blanks, and those for proof of loss, should at any rate be uniform. That could not fail to be of service to the companies in the adjustment of losses. The adjuster has his own ideas in many cases, and it does seem to me that they should not be allowed to prevail, but that standard forms should be used in their stead. I suggest that a committee of gentlemen who are in San Francisco and who can consult the insurance attorneys on this matter, be appointed to prepare standard forms of blanks, such as are used by adjusters. Each company can have its own form for use in the office, if it desires, but I am sure that this plan would be of great advantage to the insurance companies.

The President—Do I understand that you make a motion to that effect?

Mr. Lockey—Yes, I move that a committee of three gentlemen from San Francisco be appointed by the chair.

Mr. Watt—I second the motion.

Mr. Kinne—Mr. President, that is taking pretty broad ground, it seems to me, to undertake to cover all the loss blanks. The mere proof of loss amounts to nothing; it is simply putting into shape for the purpose of being signed by the insured a certain result that has been arrived at by a competent adjuster. The requirements of the different companies differ in many respects. Builders' estimates are required by some companies different from others, and their proofs of loss require many different things. Some of them have their own blanks, as we do; some have general forms of different kinds, short, long, and otherwise. Some have a receipt upon which the loss is paid that differs entirely from the others. Some have a submission for appraisal that they are satisfied with, that perhaps would not at all suit others. It would entail a large amount of work, and it seems to me that if the matter has been thought out as carefully as I have no doubt it has by the gentleman who makes the motion, that it might be well for him to prepare a paper and give it to us a year from now submitting certain forms; because nothing can be done during the year; it would have to be submitted a year from now in any event. Perhaps to that end, however, it might be proper to appoint a committee, but I think Mr. Lockey should be the chairman of it, and should be permitted to select the other two to assist him.

Mr. Lockey—I thought the committee ought to be from San Francisco, Mr. President.

Mr. Meade—Mr. President, a number of years ago, Mr. Wetzlar and Mr. Van Ness got up an appraisal blank in that way, about two columns long, and I think it was used two or three times—I do not believe more than that. Mr. Lockey's plan would not be practical in the case of a number of companies who want their own blanks.

Mr. Lockey—I will simply say that I was induced to make the motion for the very reason that the companies have adopted a standard form of policy, and I know that we run across questions in it which, if they were settled by the attorneys of the insurance companies, would assist us very much in settling losses.

Mr. Fogarty—May I ask, Mr. President, if there is anything in the New York standard form of policy that requires a written form of submission to appraisalment? Within my limited experience, the question has been raised by the assured now and then: "Why do I have to sign that blank? Show me anything in the policy form from line one to line one hundred and two, calling for my entering into that agreement." It seems to me that we have got to be guided by the circumstances. The policy requires that in the event of a disagreement, appraisalment will be resorted to, the company appointing one appraiser and the assured another, and these two appointing a third, and they getting together and arbitrating and reporting. Of course, we explain to the insured the obligation that he enters into arising from a writing and that a solemn oath adds to the integrity of the transaction and influences the arbitrators, etc., but it does not seem to me that it carries any particular weight with it. Almost any blank, in fact a verbal agreement in the presence of witnesses, would be ample were it not necessary to have the record of each party's appointee.

The President—I would like to ask whether, in the opinion of the members, it would be the province of this Association, as an association of field men and managers, to adopt a set of uniform blanks? Could we dictate to the companies what they should use in that direction?

Mr. Kinne—It could only be a recommendation, Mr. President.

The President—Is Mr. Lockey's motion seconded?

Mr. Lockey—It was seconded. It will be withdrawn, with the consent of the gentleman seconding.

Mr. Watt—Mr. Chairman, I think the plan Mr. Lockey is aiming at is rather a good one; that is, to have as much uniformity as possible in

loss adjustment blanks. As far as our office is concerned, we are quite willing to adopt such uniform blanks as the companies might agree upon. There is a deal of trouble in making up loss papers when there are a number of companies interested and different particulars are required. If we can simplify the blanks, why not do it?

The motion unanimously prevailed.

The President—The committee will be appointed later, and duly announced. We will now proceed to the election of officers for the ensuing year, and first, that of President.

Mr. Kinne—I judge, Mr. President, from the silence that follows your remark, that nobody has a President to offer—that they simply want to have you remain in office for another year. But it has always gone without saying that the one elected Vice-President in a given year is to be made President the following year, so simply as a matter of form I now place in nomination for the office of President, Mr. W. H. Gibbons, and I move that the Secretary cast the ballot for Mr. Gibbons.

The President—If there is no objection, it is so ordered, and the Secretary will cast the ballot of the Association for Mr. W. H. Gibbons as President of the Association for the ensuing year.

The Secretary cast the ballot of the Association for W. H. Gibbons, whereupon he was declared the duly elected President of the Association for the ensuing year.

The President—Next in order are nominations for the office of Vice-President.

Mr. Sexton—Mr. Chairman, at the request of Mr. Watt, I rise to put in nomination Mr. Whitney Palache.

Mr. Kinne—I desire to say something more than that. That is rather a cold and formal way of putting it, it strikes me. Just as if that was all to be said, and that was all there was to be done. It looks to me like a

put up job, and I wonder what is the matter with Brother Sexton. Usually our friend William can talk as long as anybody, and say more, as a rule, than anybody else can in the time that he occupies. Three years ago there was a gentleman placed in nomination here, but for certain reasons he concluded it was a very graceful thing to decline the nomination. It was done in a very neat manner, and as at that time I had the pleasure of nominating Mr. Devlin as Vice-President, I think it is almost a matter of duty for me to second Mr. Palache's nomination. Moreover, Mr. President, I take great pleasure in doing so. I am the more happy to do so for the reason that it goes without saying that if Mr. Palache is living a year hence and behaves himself, as no doubt he will, he will be our President-elect at that time.

Mr. Watt—Since my name has been brought into this matter, I would like to say that I am not a member of the nominating committee, but I suggested to Mr. Sexton under the rose that the nominating committee make its report. I want to say, however, that I am glad to have the credit of placing in nomination Mr. Whitney Palache, a gentleman in every way fitted for the position, and one whose election will be an honor to the Association, and whose administration, I am sure, will prove to be one of the best in the history of the Association.

Mr. Sexton—We might talk the man to death, for that matter, Mr. President. But this reference to not being a member of the committee—well, in city politics I have read—I am not in city politics and I don't hold any city position—that there are men that are known as bosses. They say, "Here is a man; nominate him," and they "pull the wires," as it were, to attain their result.

Mr. Kinne—I move that the Secretary be instructed to cast the ballot for Mr. Palache as Vice-President.

The motion was duly seconded and unanimously carried, and Mr. Palache was declared the duly elected Vice-President of the Association for the ensuing year.

Mr. Charles B. Hill—Mr. President, if it is permissible, I rise to a question of privilege at this time, with a suggestion that the name of Mr. Palache has brought forth. Mr. Palache was chairman of the committee on the reinsurance contract, and with a number of others, I listened to that report and heard its general scope discussed, and, after the report had been adopted, I felt that this Association had made a grave error in not at that time passing a resolution thanking Mr. Palache, Mr. Kellam, and Mr. Folger for the work they had done. With your permission, therefore, I would like to offer such a resolution now and have it spread upon the minutes.

The motion was seconded and carried unanimously.

The President—We will now proceed with the election of a Secretary and Treasurer, who will also act as Librarian for the Association.

Mr. Folger—Mr. President, I take great pleasure in putting in nomination Mr. Calvert Meade, a gentleman who may not be well known to all present, but probably is to most of you. Mr. Meade has done what very many men in the world fail to do; he has well earned the small stipend which he receives. I hope, therefore, that he will be unanimously re-elected.

The motion was seconded.

Mr. Kinne—I move that Mr. Folger be instructed to cast the ballot of the Association for Mr. Meade.

The motion was seconded, and prevailed, and thereupon Mr. Folger cast the ballot of the Association for Mr. Calvert Meade for the office of Secretary-Treasurer-Librarian for the ensuing year.

The President—Nominations for two members of the Executive Committee are now in order. Has the Nominating Committee anything to offer in the way of names for an Executive Committee?

Mr. Kinne—I desire to say, Mr. President, that one of the Nominating Committee suggested to me that if I had nothing else to do when it came

to this matter of an executive committee, that I should place in nomination a gentleman who is well known to you all. As you are all aware, only past Presidents of our Association can be elected members of the committee, the retiring President being one member, and the Chairman and two other past Presidents completing the committee. This member desired me to place in nomination Past President Herbert Folger as one of the committee. That I am doing for him. For myself, I wish to endeavor to carry out the ideas of the new President, as mentioned to me yesterday, and with that in view, with the consent of the Association, in order that the Executive Committee may be composed of men whom he knows somewhat personally, and to carry out certain ideas of his, men who could confer freely with him, I will place in nomination Mr. Louis Weinmann. I believe it is the proper thing to do.

The nominations of Mr. Folger and Mr. Weinmann were duly seconded, the Secretary was instructed to cast the ballot for them, and thereupon they were declared to be, together with retiring President George W. Dornin, the Executive Committee of the Association for the ensuing year.

The President—The Library Committee is appointed by the President, so there remains now only the Election Committee.

Mr. Folger—I desire to place in nomination the retiring members of that committee, Mr. President, as they are now all members in good standing in the Association.

Mr. Meade—I think it would be advisable, perhaps, as Mr. Whitney Palache is now our Vice-President, and Mr. Weinmann on the Executive Committee, to substitute two members for them.

Mr. Folger—Our Secretary is well acquainted with the fact that it is exceedingly difficult to get signatures from the Election Committee, and as both of those gentlemen are in the city all the time, I hardly think there is any objection to them.

Mr. Kinne—It does not make them ineligible at all. I second Mr. Folger's nominations and move that the Secretary cast the ballot for the gentlemen named as members of the Election Committee.

The motion unanimously carried, and Mr. W. H. Lowden (chairman), James D. Bailey, Franklin Bangs, Cesar Bertheau, George D. Dornin, L. B. Edwards, George F. Grant, F. B. Kellam, C. Mason Kinne, D. E. Miles, Whitney Palache, T. Edward Pope, W. P. Thomas, George H. Tyson, and Louis Weinmann, were declared to be the Election Committee of the Association for the ensuing year.

The President—I believe that concludes the business of the meeting, save that we are to have our banquet this evening.

Mr. Kinne—Before we adjourn, it gives me pleasure to move that the thanks of this Association be extended to our retiring President, Mr. George W. Dornin, for the very faithful and efficient manner in which he has served the Association as its President during the past year.

Mr. Meade—I second the motion.

Mr. Folger—If there is no objection, I will put the motion.

The motion prevailed by a rising vote.

The President—Before we part to meet at the banquet table this evening, let me express to you my hearty thanks for your good will, and especially are my thanks due to those whose earnest efforts and loyal support have rendered successful the meeting now closing.

On motion, duly seconded, adjourned.



ACKNOWLEDGMENTS TO THE SECRETARY FOR ANNUAL PROCEEDINGS FOR 1901.

MR. J. G. ELLIOTT.

I thank you for so kindly sending me a copy of your Twenty-fifth Annual Proceedings. I look upon it as one of the most valuable contributions to insurance literature on the Coast, and it is gratifying to know that you can get so many valuable papers every year to give to your readers.

MR. EDWARD NILES.

Congratulate you on the 1901 Proceedings, A1. Noticed one small, printer's error. In Knapsack an item about Milpitas is headed "Notes of Fraud," instead of "Notes of Travel." Struck me as a funny mistake.

MR. J. C. ROWELL,

Librarian University of California.

Please accept our most sincere thanks for the Proceedings of the Fire Underwriters' Association of the Pacific for 1877-8, 1879-80, 1881, 1882, 1888, 1892, 1893, 1894, 1895, 1896, 1897, 1898, 1899, 1900, and 1901, and Index for Proceedings 1877-1891. We appreciate thoroughly your very kind promise to secure for this set, as opportunity permits, such numbers as are needed to complete it.

MR. ALFRED HAYES,

Secretary Birmingham and Midland Institute, Birmingham, England.

I beg to acknowledge with many thanks a copy of the Proceedings of the Twenty-fifth Annual Meeting of the Fire Underwriters' Association of the Pacific.

MR. HENRY G. ANDREWES,

Honorary Secretary Insurance & Actuarial Society of Glasgow, Scotland.

I am desired by the Council of this Institute to convey to you their appreciation of the valuable volume containing a report of the Twenty-fifth Annual Meeting of your Association, which you have been good enough to present to this Society, and for which they beg you to accept their warmest thanks.

MR. H. E. HESS,

Manager New York Fire Insurance Exchange.

I am in receipt of an uncut copy of your "Proceedings for 1901," for which please accept my thanks.

MR. D. N. HANDY,

Librarian the Insurance Library Association of Boston.

The thanks of the Association are hereby extended to the Secretary in acknowledgment of the gift of the Report of the Twenty-fifth Annual Meeting of the Fire Underwriters' Association of the Pacific.

MR. H. K. MILLER,

General Agent of the National Board of Fire Underwriters.

We are in receipt of the Proceedings of the Annual Meeting of the Fire Underwriters' Association of the Pacific, and thank you for your courtesy in remembering us with a copy in which we have been greatly interested and which we shall place on file in the Board library.

THE HON. J. H. SCHIVELY,

Deputy Insurance Commissioner, State of Washington.

Allow me to thank you for the well edited and neatly printed copy of the Proceedings of the Twenty-fifth Annual Meeting of the Fire Underwriters' Association of the Pacific.

PRESIDENT BENJAMIN IDE WHEELER,

Of the University of California.

Permit me to thank you for your kindness in sending me the Proceedings of the Fire Underwriters' Association of the Pacific.

MR. C. R. QUINTON,

Secretary Norwich Insurance Institute, Norwich, England.

I have the pleasure to acknowledge the receipt of the printed account of the Proceedings of the Twenty-fifth Annual Meeting of your Association, and on behalf of all our members I beg to tender grateful thanks for the copy of such an interesting publication. I have perused the various papers dealing with fire insurance, etc., with much interest and edification, while the California Knapsack has excited my risibilities to an almost alarming extent. I shall now pass the book along to my colleagues for instruction and delectation.

ANNUAL PROCEEDINGS.

The full sets of the Annual Proceedings of the Fire Underwriters' Association of the Pacific are owned by:—

Geo. F. Ashton (deceased)	F. G. Argall
Herbert Folger	Clinton Folger
J. L. Fuller	George F. Grant
H. M. Grant	C. Mason Kinne
W. H. Lowden	Calvert Meade
Walter M. Speyer	W. P. Thomas
Fire Underwriters' Association of the Pacific	
Insurance Library Association of Boston	
National Board of Fire Underwriters of New York.	

Incomplete sets of Annual Proceedings of the Fire Underwriters' Association of the Pacific are owned by:—

Whitney Palache	- -	excepting 1883-4-5
Louis Weinmann	- - -	" 1883
University of California	-	" 1883-4-5-6-7-9-90-91
H. E. Hess	- - -	" 1883-4-5-6-7-9-90-91

If among our members or exchanges any of the above named Annuals could be forwarded to the Secretary, it would be deemed a special favor to the parties named. Another request: It is earnestly solicited by the Association that as the Annual for 1900 is almost exhausted, those having said late number and not caring to preserve it, would aid members and the Association in years to come, by sending it to the Secretary's address for preservation.

The Association has a few Knapsacks in stock which will be disposed of at \$1.00 each and postage.

THE EVOLUTION OF JOHNSON.

A Story of the Past and Future, in Two Parts.

BY EDWARD NILES.

[This article originally appeared in the holiday edition of *The Chronicle*, New York, Dec., 1897, and now, by the courtesy of that journal, is republished, with a few slight changes, in order that all of Mr. Niles's insurance sketches may be included in the Proceedings of this Association.]

I.—*The Awakening.*

"If there is any good thing I can do, let me do it now, for I may not pass this way again."—*Moorish Proverb.*

George W. Johnson was born at a little town in Livingston county, situate at the head of the beautiful Genesee valley, in the western part of the Empire State, a region famous for apples, grapes, wheat, sweet corn and sanitariums. He began his business career at the age of ten years by delivering the *Weekly Herald* at an agreed stipend of two dollars a month. When he was 12 years old he took the agency of the *Rochester Morning Chronicle* and upset the newspaper business of his town by selling seventy-five papers every week day, at three cents apiece or fifteen cents a week, delivered by carrier. His success was so great that it excited envy and on one occasion he was waylaid by the "devil" of the local *Advertiser*, armed with a discarded "roller," who smote him sorely and left him covered with printers' ink and bruises—a breach of journalistic etiquette which was apologized for by the proprietor of the *Advertiser* in his next issue. Johnson's anxiety for business and determination to hold custom was such that he daily walked to the paper mill and back, a distance of three miles, to deliver one paper—bicycles at that day being unheard of. He "rested" on the Sabbath. This holy period of supposed inaction comprised a forced attendance at the Presbyterian church and Sunday School in the forenoon and playing "Injun" in the afternoon, when the plodding paper vendor burst from his chrysalis, and, decked with paint and feathers, appeared at the head of a tribe of small boys, in the dashing role of "Osceola, the Seminole." Many and fierce were the fights with a rival band of braves headed by one De Long, a plump, piano-legged boy, known as "Thayendenegea!" and fast flew the deadly spears of mullin stalks when the dusky warriors closed in mortal combat.

For four years Johnson sold papers and attended school at the seminary, where he won fame by his spirited rendition of "Old Ironsides at Anchor Lay;" "Breathes There a Man with Soul so Dead?" and



"Give Me Liberty or Give Me Death!"—and then struck out for freedom by going to Chicago, where he arrived with unbounded confidence and fifteen cents in his pocket.

He remained six years in the city of "limitless" resources, serving as a drug clerk (with a bed under the counter), bookkeeper and supply distributor in an insurance office, and then went to California, where after sundry vitascopic changes of good and bad fortune, he entered the service of a brace of fire companies emanating from Hartford and Edinburgh, sometimes referred to as the "Nutmeg and Thistle." In this position he was successful but restless, and drifted from those companies to others, and finally attached himself to that staunch old corporation known as the "Queen's Own" in its Pacific Coast department at San Francisco as a special agent and adjuster.

The Coast manager was a tall, slender, blue-eyed man of martial appearance, positive in manner, thoroughly well informed and, like a bottle of crusty old port, improved with age and acquaintance. A tireless worker, he was intolerant of "sogering," and knew, to the smallest detail, what ought to be done by his assistants and whether they did it. His memory was a marvel and the despair of his clerks. He was the mainspring of his office and never ran down. With fine executive ability, he was a capital correspondent, smoked the best cigars and was affable, considerate and generous.

On the morning of his first day the new special was summoned to the "sweat-box."

"Johnson," said the manager, "you come well recommended, and to show you that you begin on a good basis I will read to you what I have just written to the home office.

"I have added to our staff Mr. George Washington Johnson, who bears an excellent reputation as a first class special agent and is said to be a conscientious inspector, a close collector and a competent adjuster. He is not quite thirty years of age, married; a native of New York; is temperate and moral, and will, I believe, do good work. How does that strike you, Johnson?"

"Thank you," replied the new man, changing color, "but you have said more than I deserve."

"Well, we will see," said his chief kindly. "You have been something of a rolling stone, I know, but do your best; don't be afraid to act independently; take ample time; lay out your course of action, and follow it. Don't be sensitive. Expect criticism and profit by it. Be careful, but remember we don't pay you to worry over losses. You have a good idea of the business; go ahead and do your work and you will not find me a hard man to deal with;" and Johnson walked out, dizzy with a rush of conflicting emotions.

That evening, at home, he talked with his wife and told her that he felt that his life so far had not been a great success and that he feared he would not fill the position satisfactorily.

"George," said his wife, with tears in her eyes, "why do you say that your life has not been a success? You have a good position now, and you've *always* had one. You have the children and me; don't you care for *us*, George? You have made our lives pleasant and I think life is a success if we make others happy. Now be yourself, and show them what you can do. I'm *sure* you know as much as *any* of those managers!"

"Thank you, my dear," said her husband, smiling; "with such a wife I ought to satisfy any expectations."

In the silent watches of the night the kind expressions of the manager sank deep in the heart of the shrinking man, who thought the commendation was undeserved and the words of praise seemed changed to barbed arrows of needed censure.

"A careful inspector, am I?" thought he, as he tossed on his couch, and the ghosts of countless inspections arose before him.

"A close collector"—and a cloud of old accounts obscured his vision.

"A first-class special agent"—and remorseless memory summed up the spectres of lost opportunities; of a foolish anxiety to reach agencies, and a still greater desire to leave them.

"A competent adjuster"—and the shades of total losses grinned and blinked at him.

The next morning he arose a different man. A few words, fitly spoken, changed his life. He determined to merit the reputation that he had, as he knew, undeservedly gained and, filled with this dominant purpose, he worked as if every day might be his last. It was at this time I made his acquaintance, which gradually grew into an intimate friendship. I will, I believe, violate no confidence in giving a brief description of the educational methods of this self-made man, whose brilliant career excited the surprise and admiration of the little world of insurance men. And here let me say that I know of no other profession the members of which rank higher in all of the attributes that make up gentlemen than that of fire insurance, and for this reason the unreserved approval of managing, special, adjusting and local agents is, in my opinion, as high a compliment as any man can receive, and one which few deserve.

Some years afterward, in answer to my request, Johnson was kind enough to write for me a summary of his experience in this position and his views about special work, which in substance are as follows:

"I began by asking to be allowed to consider San Francisco as my headquarters. My mind on this point was clear. 'As long as I study and practice humility I know where I am,' and frequent contact with the veterans of the profession I knew would make me humble. Besides, I wanted to keep in direct touch with the office. Before going on the road I was given a few days in town, possibly because the manager wanted to 'size me up.' You have heard of a bicycle advertised as 'built like a watch.' Our office was one of that kind. It ran better than clockwork. A Jurgensen, Howard or Waltham repeater couldn't have moved with more accuracy or with greater nicety of mechanism. It was like a Chicago packing house where the animal goes in at one end and comes out at the other trimmed, clean and ready for the fire. A daily report arrived and they 'didn't do a thing to it.' It was stamped, inspected, blocked, entered, acknowledged, corrected, approved or rejected, and when the boys were through with it it was covered with hieroglyphs and cuneiform inscriptions, which were as clear as day to the clerks but as dark as Erebus to an outsider. I dug through the books; got a fair idea of the system; packed my valise; prepared a route card; was given an explicit letter of instructions; bought a mileage book; drew fifty dollars; received a hearty good-by and wishes for a successful trip, and started.

"Now, my friend, I am not going to tell you of all my foolish acts, and of the good things I have left undone, but I will simply give you a few suggestions about special work, evolved from my experience, which you must take for whatever they may be worth to you, remembering that every man should keep his individuality (if it is worth saving), and that experience is the best teacher.

"As the special agent is said to be a workable joint between the ideas of the local agent and the requirements of the company, it will be well for him to remember the counsel of the German proverb: 'The old man should be honored, the young man instructed, the wise man asked, and the fool tolerated.' The last clause is the most important.

"When teaching agents take Huxley's advice and 'don't over-refine distinctions or you will destroy distinctness.'

"Be sure that you know what you are talking about and remember the difference between a loss clause and a value clause.

"Examine the account at every agency (unless otherwise instructed) and stir up the collections. This is a vital point. If an agent resents

inquiry the chances are ten to one that he is in the hole and you are out of pocket.

"Be genuine in your friendship for your agents and do everything possible to help them in their work.

Continuous, painstaking labor will ensure success, even if your education is limited and your natural abilities few.

"Ground yourself well in theory and learn something from everyone you meet. Here are a few 'don't's':

"Don't be afraid to ask questions.

"Don't shun the agents of other companies.

"Don't gamble.

"Don't drink *much*.

"Don't smoke *too* often.

"Don't play whist, pedro, billiards, pool or any other game in business hours.

"Don't fail to keep the office advised of your route for several days in advance.

"Don't neglect to inquire at the postoffice for letters, and

"Don't omit leaving your next address with your agent.

"But too many 'don't's' are wearing. Let me now suggest a few things to 'do.'

"You should never run out of cards—business cards I mean. Engraved ones are the best. If you write well, a fac simile signature is taking.

"Always have your letters of authority with you.

"When you extend courtesies to agents, do so in a simple, easy way, as if you were receiving a favor rather than conferring one; and don't allow agents to spend their hard-earned money for your benefit.

"I would not encourage extravagance, nor recommend a close economy. Let your aims be high and your living good. Follow Emerson's advice and 'hitch your wagon to a star'—and annex your stomach to a good hotel.

"Be a student and learn to think for yourself. While I cannot ask you to follow my example closely, it may interest you to know that I have memorized the New York standard form of policy and can repeat it word for word, and further, have studied all of the principal clauses and forms of endorsement so that I can write any of them at a moment's notice. The short rate table, of course, I have by heart. I take quite a load of books with me, and subscribe for a number of insurance publications. I have read and re-read Tiffany, Moore, Hine and Griswold,

and believe I can pass a good 'quiz' on them all. I carry the Kinne Rule and Lowden's 'Adjustment of Book Losses,' have a complete set of the proceedings of the Fire Underwriters' Association of the Pacific for twenty years, and have been greatly helped by their perusal. I can never be grateful enough to the bright members of that society for their valuable contributions. Grant, Dutton, Lowden, Dornin, Sexton, Folger, Faymonville, Edwards, Watt, Driffield, Argall, and many other names come before me. Every one of them deserves a gold medal. And while I have little humor in my make-up, I have gained good from the Knapsack.

"It is a time-worn maxim, but true: First, adjust your agent; second, adjust the assured; third, adjust the loss.

"When I visit an agency I block out a plan of action and follow it as closely as possible. I try to be tolerant, pleasant and industrious. Above all I aim at thoroughness, and give close care to details. Loose ends are closed up and reports carefully made. My letters are often long, because I wish the office to know as much about the agency as I do. If I make a mistake I acknowledge it. If reproved, I say nothing, but mentally 'saw wood,' and highly resolved that if a second error is made by me it will be different from the first. If the manager criticises a risk and suggests cancellation, but leaves the decision to me, I immediately cancel and send in the policy, and I do this for two reasons: First—the odds are in favor of the manager's judgment and, from a somewhat selfish standpoint, if I cancel, I don't lose anything. Second—If I don't cancel and the risk burns, there is a point scored against me, and a collection of those points may change me suddenly into an independent adjuster.

If I don't hear from the office for several days, I don't walk the floor, but rest easy, knowing everything is serene. Any intermission in the managerial letters doesn't make *me* homesick.

"I believe in the concentration of effort on every detail, no matter how small it may be.

"I don't often draw for expenses, but try to forage on the country and get money when needed from the good premiums that our agents are holding for us.

"I keep copies of all of my business letters.

"I don't write 'O K' on my inspection slips, although many do, because I think it a doubtful contraction for 'all correct,' and I want to prove to the office that I can spell and that I have seen the risks and know something about them. On each slip I give a brief description of

the property. This is a check on a special agent and sometimes helps the adjuster.

"You request my views about the compact. King Alfonso of Castile said if he had been consulted he could have shown God how to make a much better world than this. I can't go as far as that, and can simply say: I think we will never have an enduring compact built on the old lines. There are too many aggressive companies and conflicting interests. The original compact reminded me of Carlyle's remark: 'You may paint with a very big brush and yet not be a great painter.' Don't ask me to tell you what I think. 'There are hopes the bloom of whose beauty would be spoiled by the trammels of description; too lovely, too delicate, too sacred for words—they should be known only through the sympathy of hearts.'

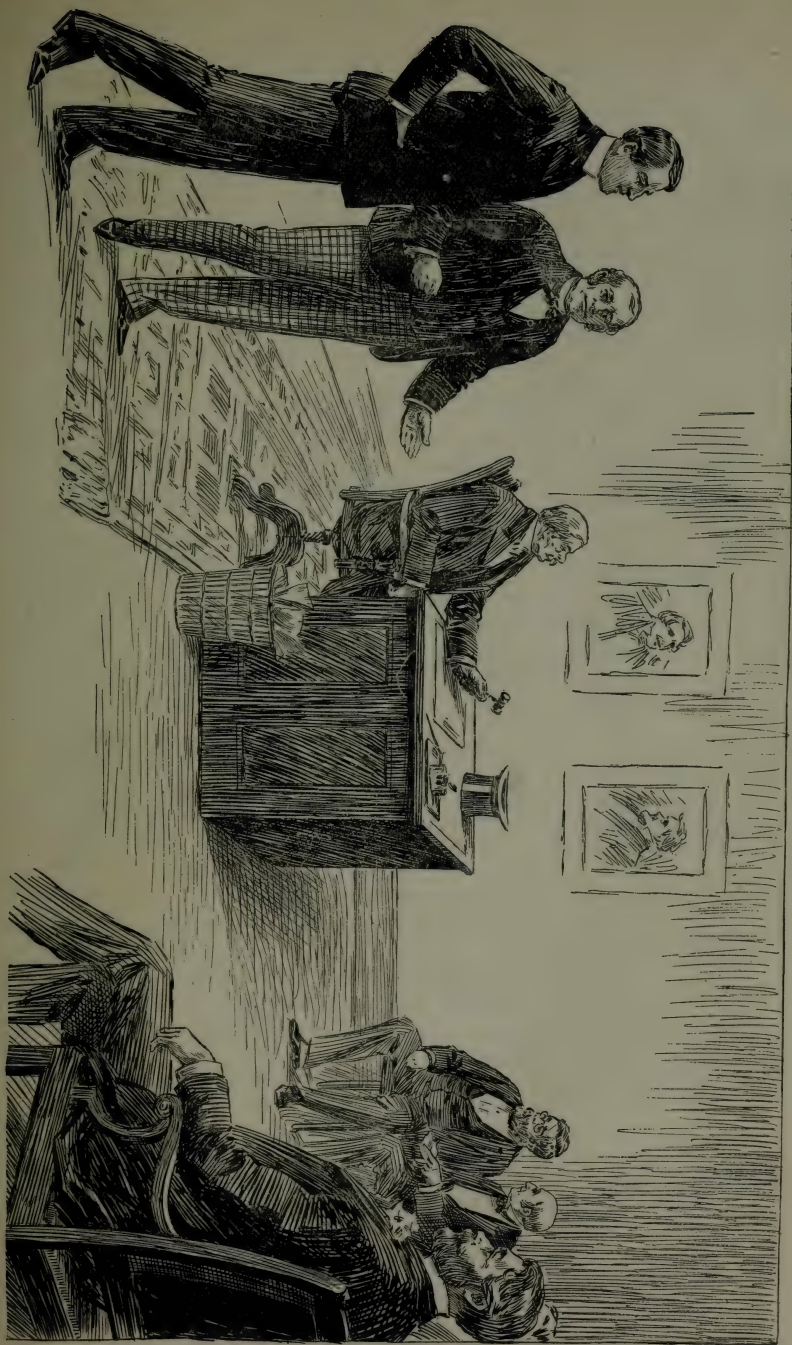
" 'Much have I traveled in the realms of gold,
And many goodly states and kingdoms seen,'—

and my experience leads me to say with Wendell Phillips: 'If there is anything that cannot bear free thought, let it crack'—and the old compact was of that fragile kind."

The years rolled on, and my friend broadened and deepened in experience and was recognized as an exceptionally able man. He was really a charming fellow, and stood six feet in his stockings, weighed 180 pounds in the buff, dark hair, gray eyes, smooth face, walked erect, with a firm tread, striking his heels first, was a clever boxer, an expert wheelman, a crack shot, but disliked to kill anything, and, strangely enough, was fond of cricket. A more tolerant man never lived. He slept and ate well, preferred good society to bad, wrote a rapid and clear business hand, could take a drink in a gentlemanly way, favored suffrage for women, loved children, had a sweet temper and was unselfish, and whether the cause was magnetism, or the influence of a thoroughly sincere nature, I know not, but when you were with him you felt a genial glow of satisfaction and said to yourself: "I'm a pretty good man after all."

But sometimes, when half-sleeping, half-waking, I have wondered if such an "Admirable Crichton" ever really existed and if he were not a mental composite picture made up of the best features of insurance friends of mine.

While Johnson apparently made no efforts to push himself into a higher position, he seemed on easy terms with the managers and apparently had no mistaken ideas of humility. He spoke of this once



and said: "I can't hurt them any, and they know more than I do and can do me good. So why not cultivate them?"

In one respect Johnson was original. He had no fear of death and often said that he didn't wish for a long life here. "If it were not for my family," he remarked, "I would welcome an early 'death,' as it is called. I don't want to grow old and have the grasshopper a burden. It wouldn't be giving the younger men a fair chance. How much better to die when one is successful and in his prime. And when death comes I hope it will be sudden."

In the summer of 1903 Johnson, much to the surprise and regret of a host of friends, resigned his position. "There is nothing hopeful in the insurance business on this Coast at present," he said, "and I shall take my family and go to New York. I want to go to my old home and have my children see their father's birthplace. I am tired of building up business and having it cut away from me by wild-cat companies. I may do something in the East, but cannot now tell what I will do." And so he started, and the rest of us continued as before, but there was a general feeling of apprehension and we felt that:

"Cruel are the times when we are traitors,
And do not know ourselves; when we hold rumor
From what we fear; yet know not what we fear;
But float upon a wild and violent sea."

For nearly six years uncertainty had prevailed, and no leader had arisen to restore order. The companies were becoming hopeless and, as a last resort, tried a desperate expedient, which wrecked the plans of many but proved the salvation of the business.

II. *The United Underwriters.*

"Times of general calamity and confusion have ever been productive of the greatest minds. The purest ore is produced from the hottest furnace and the brightest thunderbolt is from the darkest storm—"

"But yet I'll make assurance doubly sure."

On October 1, 1903, three daily papers of San Francisco published the following items:

The *Examiner* had this:

A GIGANTIC TRUST.

The recent visit of J. Pierpont Morgan, Marcus A. Hanna, and several prominent insurance managers from New York, Chicago and Hartford (*as published exclusively in the Examiner*), to this city has

caused some excitement among the fire insurance men, owing to rumors that these visitors are here in the interests of all of the fire companies doing business on the Coast. We are now in a position to announce that these men are engineering a syndicate to control the fire business of the Coast and slope. It is proposed to establish another infamous compact system by which property owners will be at the mercy of the companies.

The *Chronicle* said:

SCIENTIFIC INSURANCE.

For nearly five years the fire insurance agents of the Coast have been fighting, and the result has been that, while rates have been freely cut and in a narrow sense the public have profited, the safeguards of the business have been lost sight of; adjustments have been sharp and technical and no organized effort for better buildings and fire departments has been possible. *The Chronicle is exclusively informed* that, beginning with the new year, the companies propose to pool their interests and conduct the business on a scientific basis. We are satisfied that only in this way can the enormous fire hazard be lessened, and surely, San Francisco, in view of its ten-million-dollar fire of last July, should welcome this new movement.

The *Call* gave this guarded announcement:

A FIRE SYNDICATE.

The fire insurance business here may soon be done on a different basis. *We are exclusively informed* that the insurance companies will either concentrate their interests and reorganize their business in the form of a syndicate or retire from the Coast. The latter step, if carried into effect, would seriously damage every business and lower the value of real estate.

Much may be said for and against the syndicate system. If it goes into effect rates will undoubtedly be advanced, which will not be a pleasing feature. On the other hand, the companies, if united, can force improvements in buildings and secure better facilities for fighting fire. The *Call* speaks for all, and we reserve our opinion until the matter assumes a more definite shape.

The publication of these articles caused alarm on California street, apprehension on Sansome, and anxiety on Montgomery. The report proved true. All of the fire insurance companies represented on the

Coast, without exception, decided to syndicate their business, and entrusted the details of the organization to J. P. Morgan, representing the foreign companies; M. A. Hanna acting for the New York and Philadelphia companies, and G. W. J. Kaufman, president of a Hartford company, in behalf of all of the remaining companies. These gentlemen, aided by several Eastern managers, remained in San Francisco for four weeks, canvassed the situation thoroughly, and returned to New York.

On November 1st all Coast managers and general agents were notified that their services would not be required by the companies after December 31, 1903. All other employes were similarly notified, and a large number of suits for breach of contract were immediately begun by the deposed managers. The four hundred clerks employed in the San Francisco offices felt the blow severely, but as their salaries were smaller the shock was not so great.

On the same day the executive committee of the syndicated companies met in their rooms in the Mills building, New York, with their chairman, J. Pierpont Morgan, presiding.

After a general discussion, Mr. Morgan turned to the secretary and said: "Mr. Hanna, will you kindly step into the ante-room and notify George W. Johnson that we are ready to talk with him."

The secretary complied and returned with Johnson, who was introduced to each member of the committee in turn and received a cordial welcome.

"Mr. Johnson," said the distinguished chairman, "as you have been informed, it is the purpose of the companies to syndicate their business on the Pacific Coast and Slope, including British Columbia, Alaska, Manila, Porto Rico, and the Hawaiian Islands. All business in that territory will be reported to the syndicate, and the agents who have been in charge there are to be retired at the close of the year. They have been notified, and with that part of the plan you will have nothing to do. It was the original decision of a majority of the companies, and, although painful, is inevitable. I will tell you frankly, Johnson, up to four weeks ago I had never heard of you, but during the past month your name has been so favorably presented to us by men in whom we have confidence that we have unanimously decided to offer you the position of manager for the syndicate. What do you say?"

"I accept," said Johnson.

"What salary will be satisfactory?"

"Twelve thousand a year and one per cent of the annual saving in expenses."

"Agreed, if you prefer it that way, and very reasonable; but will it not be better for you to begin with say twenty thousand a year, without a contingent? We don't expect any reduction in expenses the first year, and your work and responsibility will be great."

"To prevent misapprehension," replied Johnson, "I will say that I shall certainly reduce the expenses from the start, and therefore prefer a smaller fixed salary and a contingent."

"Very well," said Morgan, "and now formulate your plans and submit them."

He did so, and within a week started for San Francisco.

The syndicate, which organized as a corporation under the name of "The United Underwriters," reinsured all of the business of its individual companies in force on January 1, 1904, in California, Oregon, Arizona, Washington, Nevada, Montana, Utah, Idaho, Colorado, New Mexico, Wyoming, Alaska, British Columbia, Manila, Porto Rico, and the Hawaiian Islands.

The cash assets of the corporation were one hundred millions with a net surplus of fifty-five millions and a reserve of two hundred millions subscribed capital, subject to call.

The general plan for conducting the business, as outlined by Johnson, who developed great ability, was as follows:

All business was reported direct to the head office and no departments were organized.

Monthly, quarterly, and yearly reports were made to the executive committee at New York, but the manager's authority was absolute and his rulings were final.

The "inspection bureau" at San Francisco was continued and enlarged. Similar bureaus were established at Denver, Portland, Los Angeles and Seattle.

The fire patrol system at San Francisco was extended and patrol systems were put in at the other principal cities in the territory of the syndicate.

The old ratings of the Pacific Insurance Union, with modifications, were used until new rates were made. The re-rating of the Coast was a gigantic task, but was completed within twelve months. The new ratings were based on the experience of the companies for the past twenty-five years. The big fire at San Francisco in July, 1903, swelled the loss ratio in that city so that the new rates were considerably higher, and this provoked at first bitter attacks from the newspapers.

Some of the low ratings made for Los Angeles, Sacramento, San Diego, Denver, Honolulu and a few other points, were happy surprises to property owners, yet were based on experience. In the San Joaquin valley and Arizona, there was a marked increase in rates. The employes of the former compact systems were engaged for this work, as far as possible, and were required to do mapping, owing to the withdrawal from the Coast of the Sanborn and Dakin map companies, caused by the loss of their old customers.

There was no prohibited list, yet the syndicate did not write everything. Such risks as were not approved by its agents and inspectors remained without insurance. The result was that, in time, the business became of a much higher grade and as the "tough" risks were not insured, they were watched by their owners with great care, and seldom burned.

There was no reinsurance.

The three-fourths loss clause was abolished.

The three-fourths value clause was used on all policies. No policy was issued for a longer term than one year.

Policies were not delivered until paid for.

On all risks situate more than five miles from a railroad station the adjuster's clause was used, providing that the expenses of one adjuster from and to the nearest railroad station should be borne by the assured.

All employes of the syndicate through whose hands money passed, from the manager down, were bonded, the premiums being paid by the syndicate.

No money was used for legislative purposes.

Salaried agents only were employed at all towns having a population of three thousand or over. In towns of less size one agent did the business for each town and its vicinity (the limits of "vicinity" being clearly defined) on a commission of ten per cent.

The San Francisco business was done at the offices of the syndicate, the entire first floor being given up to it. No brokers were employed, but a careful and continuous canvass of the city was made. It required a large force to handle this business, but the results were satisfactory. The net city premiums for the year 1903 exceeded three millions, and were largely increased in each year following.

At Denver, Pueblo, Portland, Los Angeles, Seattle, Tacoma, Spokane, Sacramento, San Jose, Stockton, San Diego, Victoria and Honolulu, the entire business of each city was done by a firm of agents, every firm being restricted to three members, on salaries (for the firm),

ranging from \$7,500 to \$15,000 a year, with office expenses paid by the syndicate.

The agents of the "United Underwriters" were picked men, the cream of the old agents. They knew their business, were well paid and gave it their entire and earnest attention. Their ranks were recruited from the clerks in the head office, who were required to devote one hour each day, from 3 to 4 P. M., to insurance studies.

There was no trouble about lines. The syndicate wrote the entire insurance.

There were no non-concurrent policies.

The first six months' operations were not smooth sailing. The press and public were hostile, and a horde of irresponsible companies invaded the Coast with offers to write insurance on anything at any rate. But the common sense of the people asserted itself. It was seen that rates were equitable, adjustments fair, and payments prompt, and gradually property owners realized that they were dealing with a solid corporation that was run on square business principles. The methods that Johnson adopted were so eminently fair and considerate that at the close of the first year the people could not be induced to insure elsewhere.

During the first week of the syndicate the manager received over two thousand applications for positions. Many of the late general agents were employed and some of them soon rose to high places. The few who did not develop well were utilized as copyists and in the supply department. It was a pathetic sight to see them doing up packages and numbering policies. The clerks in the old offices were given first consideration, and were assigned positions as fast as possible. No discrimination was made against women, and the employees were equally divided as to sex.

Among the applications first received was one from the United Order of Independent Fire Adjusters, asking recognition. Owing to the large membership of this society, positions could not be given to all of its members, so the manager solved the vexatious problem by admitting the applicants for positions as adjusters to a competitive examination. The questions covered the best mode of procedure in supposititious losses of a complicated kind, and only those passing the best examination were accepted.

Each employe was given a yearly vacation of twenty days, these periods of rest being scattered through the various months, the choice of times being determined by lot. No one was retained who did not show ability and ambition. Generous salaries were paid, and every employe

(local agents excepted) received a Christmas present of one month's salary.

The valuable lessons learned by Johnson when with the "Queen's Own" now bore their fruit. The office system of the syndicate worked accurately and smoothly like a highly finished piece of mechanism. There was no envy, idling, or indifference. All of the clerks were active, cheerful, intelligent, and industrious. Like bees they gathered honey for the associated companies, and there were no drones among their number.

The office hours were from 8:30 to 5:30, with an intermission of one hour for luncheon, at the syndicate's expense, in its restaurant on the top floor. The food was first-class and perfectly cooked and served. Oysters, fish, steaks, cereals, cream and fruit were always on the bill of fare, the idea being to nourish both brain and body.

The saving in expenses for the first year over those of the individual companies, as shown by their expense ratios for 1903, was \$1,501,833.66. The manager's contingent of one per cent amounted to \$15,018.33, which was supplemented by a paid-up life insurance policy for \$50,000, the order for which was sent him by the executive committee. Johnson had some difficulty in passing the examination, owing to the irregular action of his heart, but was finally accepted on the report of the examining physician, who attributed the weakness to smoking and not to any organic trouble.

The loss ratio for 1903 was thirty-five per cent; the expense ratio, twenty-five per cent; the premium income, ten millions; the profits from the business, four millions, and the income from investments, six millions. Quarterly dividends of two per cent were paid during the year, and two millions carried to the surplus. The apportionment of capital stock was originally based on each company's proportion of business during 1903, and the distribution of new business was made on the same basis.

The inspectors, special agents and adjusters of the syndicate were required, when in town, to attend the monthly lectures which were given in the company's hall by the best insurance and legal talent available, on such subjects as "the Law of Waiver;" "Depreciation;" "How to Adjust Cigar Stocks;" "Smoke Damage;" "Hop Kilns;" "Fruit Dryers;" "Growing Grain;" "Shingle Mills," etc.

A standing reward of \$5,000 for the arrest and conviction of incendiaries was offered by the syndicate.

Lump adjustments and compromise settlements were not favored.

Agents were held accountable for over-insurance, and inspectors were required to make a careful estimate of the cash values of all risks inspected by them.

The syndicate furnished a large library and a complete gymnasium for the benefit of its employes.

Copies of adjustments on different classes of hazards were printed monthly and supplied to all syndicate adjusters.

The syndicate special agents and adjusters were required to become members of the Fire Underwriters' Association of the Pacific, of which Johnson was elected President in 1907. During his term of office he proposed and effected the following improvements:

A gold medal of the value of fifty dollars was offered for the best paper read at each annual meeting, the choice of same to be a majority of the ballots cast at such meeting.

Portraits of all officers of the Association were procured, handsomely framed, and hung in the Association rooms.

The constitution was amended to make local agents and ex-managers eligible, but the membership was limited to two hundred and fifty.

In 1905, on the recommendation of the manager, the syndicate set aside a half million dollars for contribution to fire departments and works of public improvement. In that year the great movement for entirely repaving San Francisco with asphalt was effected by the united efforts of the wheelmen of the city. The syndicate supplemented the contributions of \$50,000 each from W. R. Hearst, James D. Phelan, and John W. Mackay with an equal amount, and also gave a fire boat to Portland, ten steam fire engines to San Francisco, and five steamers each to Denver, Los Angeles and Seattle, besides apportioning fifty chemical engines to the smaller towns. These unparalleled benefactions convinced the people that here was a corporation that had a soul.

It was Christmas day, 1908, and Johnson, at home with his wife and children about him, realized that perfect happiness which comes from a united family and a consciousness of work well done.

"After all, George," said his devoted wife, "your life has not been a failure. Aren't you glad you're living?"

"I am, indeed," he replied, "and now I have nothing on earth to ask or hope for. I don't wish to worry you, my dear, when I tell you that my affairs are in perfect order, and should I die unexpectedly there will be no complications. My will is made, and with the life insurance you will be amply provided for."

"Don't talk of death, George," said his wife. "You are only forty, and will be spared to us for many, many years, I hope."

Her husband smiled and said: "Maybe, but we never can tell." He hesitated, pressed his hand to his heart and grew pale.

"Oh, George," said his wife, "what is it—are you faint?"

"Excuse me, my dear," he replied, with an effort, "I am sorry—to



trouble you—but—I believe—I'm dying," and with a long sigh his head fell forward and he was dead.

Dead! In the prime of life, in the full strength of his vigorous manhood; at the summit of his ambition; with his work grandly done—was he not fortunate? Surely there could be no better time to die.

A year afterward an Eastern manager entered the rooms of the Fire Underwriters' Association in San Francisco, accompanied by one of the syndicate's special agents. They stopped before a portrait draped in black and white, and the Eastern man said:

"Ah, a striking face; who is it?"

"That?" answered the special, carelessly. "Oh, that's Johnson, our first manager."

"Yes, yes, I've heard of him. Great man, wasn't he?"

"Well, I wouldn't exactly call him 'great.' He was unassuming and easy to talk to."

"Was he a Christian?"

"He had all of the points, but I don't think he was registered. I liked him because he was always pleasant and didn't seem to think of himself."

"Observed the Golden Rule, didn't he?"

"I don't know about that, but he would do anything in his power at any time for any one, friend or enemy without thought or hope of reward."

The Eastern manager looked steadily at the picture and removed his hat.

"You must miss him greatly," he said.

"We did, at first, but we are still doing business at the old stand. After all, you know, he was only *one* man—and there are others!"

But *I* cannot forget him, for he did justly, loved mercy, and walked humbly, and I am sure that somewhere in the universe the soul of George Johnson is marching on.



THE BANQUET.

After members and guests were seated around the well arranged tables in the Maple Room of the Palace Hotel at about 7 P. M. and were enjoying the excellent dinner, order was called by Mr. George W. Spencer, the Chairman of the Dinner Committee, at precisely 9 o'clock, and the following telegram was read:

Chicago, February 20, 1902.

George W. Spencer, 514 California St., San Francisco:

The Pacific Coast was the only bright star in the insurance firmament for the year 1901. Loss ratio of thirty-five will enable the boys gathered at the banquet to felicitate each other in a hearty and most enthusiastic manner. While we are in the depths here there is one Eastern member of the Fire Underwriters' Association who has not lost courage, and he will crook his elbow Friday night, 9 o'clock Pacific Coast time, to the continued loyalty, underwriting ability, and prosperity of every member of the organization. Wish I could be with you.

J. W. G. COFRAN.

(Applause, coupled with "For He's a Jolly Good Fellow.")

The President—Gentlemen: The pleasant duty devolves upon me tonight, as President of the Association, to welcome you all, members and guests alike, to the twenty-sixth annual reunion of our Association. Yet a feeling of great trepidation possesses me as I undertake to preside over a banquet table surrounded, as is this, by so many eminent and distinguished gentlemen, men gifted in oratory and schooled in social functions. Yet I trust that you will all be good enough to overlook my shortcomings, on the ground of inexperience.

As I have sat here tonight and realized the wealth of honor you confer when naming your President, I am filled with happiness that the privilege has been mine. And I would be woefully lacking in appreciation if I failed to take advantage of this opportunity to thank you one and all for your kindness in placing me in the chair. I realize that, hand in hand

Standard Indigestion Policy, State of California

Expires February 21, 1902
Property San Francisco, Cal.
Am't, \$5000 Premium, \$5.00

No. 4-11-44

Fire Underwriters'

ASSOCIATION



OF THE PACIFIC

FOUNDED 1876

GEORGE W. DORNIN, President

CASH CAPITAL, \$10,000,000

CITY AGENCY, PALACE HOTEL

It is important that the spike-tail coats covering the same corporations shall be exactly alike. If they are not, the waiters may get mixed with the guests.

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EASTERN OYSTERS, HALF SHELL
Roused from his bed by a false alarm

Radishes

Olives

PAUPIETTE OF BASS, CHEVALIER

A noble fish, never again to swim in water

POTATOES CROQUETTE

Signifying that each member must hoe his own row

Fillet Mignon of Beef, Intendante

Rare and rich—no damage from fire

VOL AU VENT OF SWEETBREAD, MARECHALE

"No more than one quart in all to be kept on premises at any time—to be opened at night only."

PINEAPPLE PUNCH, KIRSCH FLAVOR

Cold comfort in a hot time

ROAST SQUAB, CHESTNUT DRESSING

A little fowl—Dressing a la brokers' kicks

GREEN PEAS

All rates shall be as uniform as peas in a pod

LETTUCE WITH EGG

Salvage from cold storage

Notice that policy is about to expire

BISCUIT CALIFORNIA ICE CREAM

Last Assessment. Freezeout complete

ASSORTED CAKES

Trifling risk—better take it

CAFE NOIR

Admirable adjuster. All claims promptly settled

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7 p. m., first course—8 p. m., last course—9 p. m., full—12 m. total eclipse.

Tomorrow's sacred to the name

Of that immortal he

Who early felt how great the shame

To lie about a tree.

Let us resolve no lie to tell.

Though heavens above should fall,

That we may never go to—well,

The hottest place of all.

with the pleasures of the President's position, there goes its quota of hard work. But in my case the labor has been lightened by the cordial good will and support of my brother officers, and the hearty co-operation of those good friends who have so kindly prepared papers for our entertainment during the last two days.

The results of the year's business on the Coast, insurance-wise, have been phenomenal. And, as we review the returns, we can but feel that among the causes for this happy state of affairs, the element of good luck has played no unimportant part. While we can hardly hope for another year quite so satisfactory to ourselves, we are certainly in a mood to lay aside for a time the cares and vexations of our daily occupation, and, for a brief space, devote ourselves to the pursuit of pleasure at the banquet table. To that end I will now present those who will address you. Among them there is one who represents the so-called "Old Guard," one young in heart as ever, one to whom through all my business career I have ever striven to be a helpful second. And I trust to be forgiven if for a moment I depart from the conventional form to humor a little sentiment on my part by calling upon my father.

(Applause.)

Mr. George D. Dornin—Mr. President—my boy—and my friends: I am not often disconcerted when I get on my feet, although I make no preparation—have made no preparation as to what I shall say tonight; telling your President, telling my boy, that if I responded it would be upon the spur of the moment and by the inspiration of my surroundings. And there is everything here tonight to inspire us all. We have a larger body than have ever met around these tables; a better feeling, I believe, than we have ever had before.

I am reminded by the date of this menu card that we have entered the second quarter century of the Association's existence. It reminds me forcibly also that I represent the old regime. The "Old Guard" is passing; the younger element are to the front and must take charge of affairs from this time on. There are very few gray hairs here—a few bald heads, but very few. The vast majority are young and vigorous, striving and pushing. And, fortunately for them, expansion is the order of the day on the Pacific Coast, expansion in our business, expansion in our possessions.

With proper guidance, the young men before us, who are to take advantage of affairs, will prosper. And we cannot prosper and you cannot prosper unless the guidance is right.

I believe that this Association has important functions to fulfill other than the social function of meeting around the banquet board at its yearly meetings. I wish really and seriously that there was as much attention given to the valuable papers that are prepared, papers that indicate a deal of labor, papers fraught with a great deal of sound practice and advice; I wish that there was as much attention given to them, and certainly it is due to their authors that there should be, at the daily meetings, as we find here tonight at the other part of the Association's functions. I believe, however, that all this will come. I do not believe that the work and thought of those who have read papers will be at all wasted. I know that many of you take the annual report of our proceedings and sit down and digest the results of the labors of others. One or two have spoken tonight about papers read before the meeting a year ago, and how much of value they found in them. Certainly such efforts (I have not heard them all, and I am satisfied there are others quite as good) as that by Mr. Medcraft on the functions of the special agent, Mr. Fuller's paper on the "Rebate Evil," and our friend Charlie Hill's paper, are all filled with sound advice, especially desirable to be digested by the younger element. In this way only will the Association fully discharge its functions, and, as I say, good will come to the profession from it.

I believe thoroughly in affairs of this kind. I believe that the social element is a good one. We get together around the festive board; there are no questions of rates; no questions of deviations or extraordinary commissions entering into our discussions tonight. The question of Board and non-Board and previous condition of servitude cut no figure. We are here for a good time, to meet and know each other. There are faces here that perhaps know me, but I do not know them. I have been glad to make your acquaintance here tonight in this way, if in no other.

I purpose making but a short talk tonight. I understand that the programme is, short speeches and plenty of them. There are one or two matters that I would like to touch upon, and I will do so briefly.

I have a great deal of feeling for the much-abused special agent, and if it is proper that I should, I would like to say a word or two about the deterioration of the special agent, which I believe is the burning question of the day. I am very sure that the problem will be thought out and threshed out tonight. It has been said, somewhat in defense of the special agent, that the stream can be no purer than the fountain-head, and that if

the special agent has deteriorated, you must trace it back to the man in the back office. And, as I sat here thinking of what I might possibly say, it occurred to me that at the next meeting of the Fire Underwriters' Association of the Pacific, the topic will be suggested, and perhaps referred to a special committee, the title to be "The Deterioration of the Manager." (Laughter.) For I say it in all sincerity that in my experience over a large field of the Pacific Coast, the further we get away from the manager's chair, the better principles we find. (Applause.) We find less trouble in Colorado, we find less trouble in Montana, we find less trouble in Washington, than we do in the State of California. The so-called "Trolley" special is not known. (Applause.) It is very rarely that the special agent is accused of a wrong upon the question of excess commission. It is very rarely that you find a merchant, excepting in some rather little town, the manager of a mining plant, or of some such concern, put in as an agent. The agents and their fields are distinct. I speak by the card, because I have the cards and know whereof I speak. So it is very possible that the burning question of the future will be the deterioration of the manager, because upon the manager rests the whole responsibility of the late war of 1895 and all that has followed. Am I not right? (A voice: "There is no question of it.")

I am getting on to somewhat tender ground, perhaps, and I want to hold the respect of my fellow-managers for the few years that are left me. And so, without going on to very thin ice and getting beyond my depth, I want to thank you sincerely for the cordial greeting with which you saluted me, and to express the hope, as I did a year ago, that you may not find me at any time a missing link as between the old regime and the new.

(Applause.)

"For He's a Jolly Good Fellow" was sung with a will.

The President—Gentlemen, it is a special pleasure for me tonight to introduce to you the one whom you have so recently honored by a call to the chair, your newly elected President, Mr. William H. Gibbons. (Applause.) I bespeak for him that same hearty support which has been given me during the year of my administration.

Mr. Gibbons—Professor Huxley once said that public speaking and matrimony are like swimming—the difficulty is with the first plunge. I know of no more auspicious occasion upon which to make the first

plunge than this, upon my election to the presidency of your Association. This afternoon my position reminded me very much of an old farmer's. He and his wife were looking at a train of cars going by for the first time. The dog was there, and, as many dogs do, ran after the train. The old lady turned to her husband and asked, "Do you suppose he'll catch it?" The farmer replied, "Well, that's not what's bothering me. It is what he will do with the durned thing if he does." (Laughter.) I have been thinking during the evening, and have decided that there are a great many things which can be done. Among them is trying to arouse some interest on the part of the lukewarm of the younger generation. I have been chosen to represent them, and, unless they take advantage of the opportunity the Association affords they are missing a great deal, not realizing what is slipping by. They have a chance of making an insurance reputation among insurance men. They are to carry out the work commenced by their elders; that is, an Association has been made for us which is in the front rank of all. And, with the proper support, the Association can be placed a notch or two ahead, I am very certain. But there must be some interest shown. I hope to find it in the younger men, and hope that they will help me out in every way possible.

When I was made President, our old friend Mr. Sexton gave me a bit of advice—he gives pretty good advice very frequently; he told me that modesty was a very becoming thing in a woman, but that it was a correspondingly bad thing in a man. (Laughter.) So I have no hopes to express, but instead a determination to make the coming administration as successful a one as in me lies. I wish to thank the Association sincerely for the honor which they have done me, and for the confidence which they have reposed in the younger generation and in me.

(Applause.)

The President—I deem it a great privilege, gentlemen, to introduce to you as the next speaker of the evening a gentleman who, though a stranger to me personally until tonight, is one for whom I have formed a very high regard. He is a representative of a body of men upon whom we, as underwriters, depend largely for our premium income, and a body who, on the other hand (with present business methods), are equally dependent upon us. I refer to the President of the Merchants' Association, whom I now take pleasure in presenting, Mr. Frank J. Symmes.

Mr. Symmes—Mr. President and Gentlemen of the Association: I am certainly very grateful for the compliment of asking me to speak to you at this time, although it is sometimes difficult for a man to recognize himself under these circumstances. This game of the presiding officer is a little peculiar. It is a good deal of the "Eni meni mini mo" character. He attempts to amuse himself and entertain you by announcing to you the distinguished character of his guests, and how a promising orator and distinguished man is about to speak to you, and you begin to look around, as I did, for Mr. Depew, or General Barnes, or some representative man of that character, and suddenly when the name is announced you discover that you are "it." It has a tendency to give a man a good deal of a shock, especially if he is not one of the professional kind. He is apt to feel his brains go down as he stands up, and he is likely to discover that they are somewhere around in the uttermost corners of his boots, where it would take ordinarily a magnetic needle or the X-ray to reveal them, and a forty-horse power pump to work them up again. (Laughter.)

In that connection there is an incident that occurred at Milbrae a year or two ago that comes to mind, when one of the representatives of the flowery land, who was engaged there in the honest and simple business of washing shirts, was discovered one morning in his laundry somewhat the worse for the night. The fumes of his charcoal stove had been such as to rob him of his consciousness, and when he was discovered by the authorities, they found that a companion was sitting on his chest and vigorously working a bicycle pump, the tube of which was inserted down the poor Chinaman's throat. When he was asked what he was doing, he said "Oh, me sabbee; make 'em wind come quicker, make 'em heap talkee." If there is any gentleman around here who happens to have a bicycle pump in his pocket, I would like to borrow it for a few minutes. (Laughter.)

I certainly have been interested in the Underwriters' Association a great many years. I have been contributing for many years toward its existence, and I am very willing to have you contribute something toward mine tonight. I have enjoyed the privilege of being here, and it is not the first time that I have been so favored. I always take anything that any underwriter offers me. I am reminded of the fact that the good old gentleman who founded the business in which I am engaged, and whose name it still bears, used to remark in an aggrieved sort of tone in later years when there was anything said about insurance, "Why, insurance! I have paid the insurance companies thousands and thousands of

dollars, and they never gave me a cent back.” (Laughter.) He seemed to feel that it was a great misfortune that he hadn’t had something back. I rejoice that I got something back at your dinner last year, gentlemen, and I should have a good deal more back tonight if your Chairman hadn’t stumbled upon me.

I looked over an insurance policy once. There wasn’t much other reading around. (Laughter.) I was imprisoned up at Byron Springs. I won’t tell you my opinion of it, because it is so much like the common report of somebody else of whom you have often heard, as to what it will do and what it will not do. I came to one conclusion, and that, I think, is the only suggestion that I have to offer to this body: I came to the conclusion that whilst, from your point of view, you evidently had fully covered the field, and in your policy there is evident not only the study of one brain but of a great many, there was just one more thing that you gentlemen might do, and I hope some time you will accomplish it, and that is to provide a policy which will protect a man from fire after death. (Laughter.) If you will do that, we will all be satisfied.

(Applause.)

SONG AND ENCORE: [By the Knickerbocker Quartette.]

The President—Some twenty-five years ago, or less, as an occupation I was shoving a jack-plane and a saw. I gave up that business to take a minor position with the Fireman’s Fund Insurance Company. It gives me great pleasure now to call upon a gentleman connected with that company, one whom we all delight to honor, who will speak to us on “Insurance from a President’s Standpoint”—Mr. William J. Dutton.

Mr. Dutton—Mr. President, and Gentlemen, Friends All: As I was coming into the banquet room this evening, I remarked to a friend that I had just been asked to say something tonight on the subject of underwriting from a President’s standpoint, and I had little idea what I should say upon that subject. With ready wit, my friend replied, “What a pity you had not been asked to speak upon insurance from a Vice-President’s standpoint.” The application is apparent. A Vice-President is only to act in the absence of the President. The President is here; that would have been easy, and I would have had nothing to say.

The subject is a broad one, and may be treated from various points of view. As you all know, I have had a good deal more experience in looking at underwriting from a Vice-President's standpoint than from a President's. And right now, in strict confidence, between you and me, I will tell you that I like it a good deal better. (Laughter.) There was never a time in my underwriting experience which was so full of pleasure—pleasure in surroundings—as when I was working as Vice-President of our office with my senior partner in the front room. You all knew him well. (Applause.)

A President's view of underwriting depends largely, I suppose, upon who the President is. Thirty-five years ago I commenced in an insurance office licking postage stamps, running errands, and drawing red lines under the prominent words of the writing in our policy. Either our policyholders were better educated in those days, or something of that kind was the case; they could read writing—did not have to have typewritten policies. I found that there was plenty of opportunity for work in that department of the office. Later I had a little opportunity at working at a desk, and I found that there a person could keep himself busy just as long as he chose to stay there. When I arrived at the dignity of writing policies, I found again that there was always a little work ahead with which one could busy himself just as long as he chose to work. When the Chicago fire caught us, and my friend at the right was sending in telegrams and drafts from a couple of thousand miles away, and we out at this end were negotiating to raise the funds, I found that there was a good deal of work in the cashier's department. I have done, not as much as many of you, but some little traveling over the country, have rolled down the side of a mountain during a rain-storm in a capsized stage, and have slept two in a bed—with a man. I have fought with Colusa county flies for what was left of the meal, and I have found that there was a lot of work out on the road for one who wanted to work. In each department of the office, as I have tasted the work (and I guess I missed none of the departments) I have found that there was always plenty to do. That brings me up to the proposition of the President's view of underwriting.

If the President of a fire insurance company is a working President, he finds that, just about in proportion to the increase in the steps of a ladder towards the position of presiding representative of the directors, he can get more work and more worries, more responsibilities, and, if the company will be a successful company, he cannot shirk them. But the work of the President is but a type, you may say an exponent, of

the character of the office. A President, to have a successful office, must have a working corps who are able to bring in the business, to handle it, to select it with judgment, to adjust its affairs, including its losses, with judgment, discretion, and equity. And if an underwriting institution is so equipped, I take it that the President who has the responsibility and also the pleasure of presiding over such an office is a fortunate man, even though he may be a working President.

That is perhaps not the ideal President. Taking the ideal President's view of underwriting, I should say that it would be to have a sumptuous office, with a brunette in brass buttons at the door, a large salary, a coachman to call for him early and bring him down to the office late, and a staff which would make a successful company without his help, or, we might say, even with such an incumbrance.

But the successful underwriting institution, viewed from a President's standpoint, must be one which reaches out for the business with intelligence, as I have said, and handles it with equity. And there I come to the element which secures the business. If an office is not equipped with a corps of specials who have the judgment in the selection of the necessary agents to secure the best in the field, who have the intelligence to properly instruct those locals, who have the dignity to properly represent the character of the company, who have the *bon homme* to make themselves and their company popular, not alone with their locals but with their fellow workers in the vineyard—their fellow-specials. If the specials have not all of those qualities, then the company is not going to be a successful company from a President's standpoint, and is not going to do successful underwriting, when the figures are shown year after year.

After all, the representative in the field, not the President in the office, is the man who makes the reputation of the company. It is the gentleman who goes out in the highways and byways, the gentleman who takes the freight train when he can thus get to the next place and save a day's time, who seeks business in business hours and gets through with it, perhaps, out of business hours, when he might be asleep, who does not calculate to get back on every Saturday night to spend Sunday in the best hotel, but who calculates to get where he can do the best service for his company—that is the representative of the successful underwriting company, and he represents the underwriting success of his company. (Applause.) The special agent who goes out into the field and takes a mean advantage of his fellow, the special agent who takes a technical advantage in settling a loss if he is acting as an adjuster, procures a present advantage at great future cost. The special

who descends to soliciting his business or his agents through the saloons, who wastes his company's money in trying to be a good fellow and take possession of the town when he gets to it, does not benefit either himself or his company.

In short, the special agent, when he packs his grip and goes into the country (and please note this) carries with him the honor of his company, carries with him the reputation of the President or Manager who sends him out, and he should feel that there is a responsibility on him which is not light, that there is a responsibility for good or for evil which can make or mar his company, can make or mar the reputation of his employers.

If I could have my choice as a President, to be an ideal President, I should like to preside over a great big company that just did all the business in the country, that the business was all as profitable as last year was here in California, and that I could have every one of the specials who are about this board representing that company.

(Applause.)

The President—Just here, gentlemen, I want you to pause for a moment and think of one who has passed to the unknown world, one whose unfailing interest in the Association was always manifest, one who, though infirm in years and at great cost to his vitality, was always wont to share our meetings. I propose now a rising toast to the memory of our old friend and associate, D. J. Staples.

A silent toast was then drunk to the memory of Mr. Staples.

The President—There is a class of men for whom we, as underwriters, have a wholesome regard, sometimes approaching fear—the Commissioners. They are represented here tonight by the Honorable Mr. Nichols, of Washington, and I now call upon him for response.

Mr. Nichols—Mr. President and Gentlemen: One year ago the State of Washington was represented here by one of those who represent my clerical force—for short we call him John. And I believe that he represented the State in a manner that the State has nothing to complain of, from what he said to me when he got back. (Applause.)

Now, I am not a speechmaker. But I do want to say to you that I appreciate the kind feeling that has been extended to us since we have

been in your State. This is my first visit to the State of California, and of course my first to the city of San Francisco. (A voice: "I hope it won't be your last.") I will guarantee that it won't be the last. (Applause.)

I have heard considerable said here tonight about the special agent. I want to say that my experience since I have been Commissioner of Insurance in the State of Washington, with those whom I have met at Olympia, is that you cannot complain of one of them. (Applause.) I am frank to say that I never saw a better class of men. Our city is small, and hence we can generally tell pretty near where they are and just what they are doing. Those men who are at the head of your departments—I have met several of them here since I arrived in your city, and I never was treated in a more gentlemanly manner, and I assure you that it is a pleasure to meet the class of men that I have met here in San Francisco. My friend Dornin here—I knew him when the city of Everett was founded. (Mr. George D. Dornin—"Oh, no; that was John.") Excuse me, I mean John, the son of Mr. Dornin. John was there representing insurance companies when we had nothing but shacks, as you might say, throughout the State. Today we have a city there of between 15,000 and 16,000, and growing, and I assure you that perhaps you may never reap the reward that you expect to as far as insurance is concerned, but you will find a large amount of business in that city, as well as in all the cities on the coast of Washington. My friend Schively here, who keeps tab on all the insurance, will follow me, and he will give you some idea of what the increase has been in our State during the past year over the previous year.

I want to say this, gentlemen: That I think it would be a grand thing, not because I am here tonight, but I think it would be a grand thing if the Insurance Commissioner of every State that is represented by the Pacific Coast Underwriters, could be present on occasions like this. (Applause.) And I assure you that if I am alive and well a year from now, I propose to be here with John H. Schively and represent the State of Washington. (Cries of "Good! good!") Gentlemen, I thank you for the courtesies you have extended me and my friend Schively since we have been present with you. I wish we could remain longer, but business is of such a nature that we must return tomorrow night. I shall always remember this occasion with great pleasure.

(Applause.)

The President—The Honorable Commissioner from Washington has told us, gentlemen, what Mr. Schively is going to say to us. I don't believe it. I do not believe he is going into statistics at all. Mr. Schively, unfortunately for us all, did not appear at the meeting this afternoon to read a paper that we had him down for. I gave him a gentle hint that he would have to do double duty tonight, and I am going to call upon him now to supplement the remarks of the Insurance Commissioner of Washington. Gentlemen, Mr. Schively.

Mr. Schively—Mr. President: I want to assure you and the gentlemen present that the Commissioner of Washington will issue no order that will be more cheerfully obeyed by myself than the order just issued now—to appear here one year hence. (Laughter.) I desire to say that I appreciate the difficulty of talking upon technical matters to gentlemen who are thoroughly acquainted with those matters, and this is especially so when the speaker himself knows very little about them. When I was here a year ago, some of the gentlemen who are now present were kind enough to give me a little reception at one of the clubs. During the course of my remarks at that time I said something like this: That you could do anything with me the first year, but after that, look out, for I would know the business myself. I want to extend my own time. (Laughter and applause.) I have not learned the business in one year.

I desire to congratulate you, gentlemen, upon the success of last year, and in doing so, I congratulate the State of Washington and myself. Thereby hangs another story, as Mr. Kipling would say. The resources or income of the insurance department of Washington increased last year over the preceding year by \$10,500. The reports already in for the year 1902, if it only keeps up, indicate that the year 1902 will go about \$10,000 more over 1901. (Applause.) Now, what do you suppose that means? You will all immediately say that that means a big thing for the company. It means more than that. It means that when we go up to the next session of the Legislature with \$20,000 or \$30,000 of increase in the receipts of the departments, with unblushing effrontery, we can ask for an increase of salary. (Laughter.) So go on with your good work, gentlemen. We appreciate it highly.

I have become daily more interested in the theory of insurance. So much so that when I discover a man is not insured—his property or his household goods—I hunt up some agent and send him after that man (Laughter.)

I, too, have heard so much about the special agent going back and backsliding since my arrival in this city, that I want to add my little say to what you have heard about it. It is this: That when he does deteriorate, let it be when it may, the reserve fund of the company and the bank account of the manager will deteriorate also. (Applause.)

I meet the manager by correspondence—except upon such pleasant occasions as this. During the business year when we are all working, I know the manager by his signature to letters; I know the local agent only as I see the report at the end of the year or the beginning of the next year. The special agent is the man whom I meet face to face in the department, with whom I converse and talk, from whom I learn what I am learning day by day. And from contact with the special agents representing these gentlemen in the State of Washington, I myself have taken a broader and better and nobler view of life, and they must, therefore, be good men. (Applause.)

So far as I know, and as I understand the workings of the business, the special agent is the one through whom the electric current must pass from the head office to the local agent. He must be the man to be inspired by the manager; and, if the basis of inspiration is not in him, then he cannot be a correct medium by which this force shall be transmitted from the home office to the local agent. And if he be not, the manager who selects him is at fault. I have found no fault with the managers in their selection of the special agents sent into the State of Washington.

I have heard the words "good luck" used here with respect to your success of last year. You may estimate that term as you may, as being "provident" or "luck" or "fate," in that you have had good premiums and few fires. And the fear seems to be, as the expression has gone forth, that sooner or later it will strike us on the Pacific Coast. I don't know sufficient about the precautionary measures taken that will prevent the good luck from continuing or ill luck from coming. But I want to say that on the statute books of the State of Washington there is a first-class fire marshal law that, by an accident, is at present inoperative. It was passed in the closing hours of the last Legislature, and when we came to seek an appropriation to carry it into effect, it slipped, by some means, and the appropriation failed to pass. An appropriation was passed to pay the deputy fire marshal, but no provision was made for the operation of the law from the head office, and the Attorney-General therefore declared it inoperative. The Legislature of Washington meets a year hence, in January next. And I think I am perfectly safe in saying that the

Legislature will make such provision that the law will be found operative. And if you work with the insurance department in that respect as you have in other respects, you will have no cause to complain of ill luck from the State of Washington, if human means can prevent bad luck. (Applause.)

I thank you, gentlemen, for your consideration. I always enjoy being at occasions of this kind. I thought of one little anecdote that I had heard in the past that seemed so fully illustrated in my mind in the banquet of this evening that I want to relate it. It is a definition. A little English boy once asked his mother a question as to what the word "appetite" meant. She replied, "Well, son, I don't hexactly know what happetite means, but I suppose it means that you are hungry and enjoy your food." He thought over it for a while, and he said, "Mamma, I'll tell you what the word 'appetite' means. It means that when you are eating you are happy, and when you are through you are tight." From that we understand the meaning of the word.

(Applause.)

The President—Gentlemen, during the evening I have heard a great many complimentary remarks about our menu card. It is indeed a happy conceit, and I want to place the honor where honor is due. I have had nothing whatever to do with it; it is entirely the work of our Dinner Committee, and whatever credit comes from it belongs to that committee, the chairman of which is our good friend, George W. Spencer, and I now call upon Mr. Spencer for a word or two.

Mr. Spencer—Mr. President and Gentlemen: One of the privileges of the members of the Dinner Committee in this Association is that they shall not be called upon for a speech, and if they are called upon they are always at liberty to decline. But I shall take pleasure in responding to our President's call this evening by giving you some information that I have in my hands. These documents are letters and telegrams that have been received in connection with our dinner this evening. Some of the gentlemen sitting at my right have been unkind enough to say that these telegrams and letters have been edited by the Dinner Committee—that we get them up while you wait. I want it thoroughly understood that they are all genuine. As usual, we extended invitations to a number of gentlemen to be with us this evening, and I will read to you some of their responses.

Regarding the menus, which appear to give general satisfaction, the committee would modestly state they were gotten up by the printer in this form for somewhat the same reason that actuated the Irishman who inquired of another as to the health of his wife: "Mr. McCarthy," he said, "How is Mrs. McCarthy? Not that I care a d—— but it makes conversation."

(Laughter.)

Sacramento, Cal., State Capitol, February 19, 1902.

Mr. George W. Spencer, Chairman.

The kind invitation addressed to the Governor by the Fire Underwriters' Association of the Pacific requesting him to attend the Annual Dinner of the Association to be held next Friday evening, has been this day received during the Governor's temporary absence in Los Angeles city, and in view of this fact and his inability to accept your courteous invitation I beg leave, in his absence and in his behalf, to tender most sincere thanks for the favor.

Your obedient servant,

W. I. FOLEY, Private Secretary.

Salem, February 18, 1902.

Mr. George W. Spencer, Chairman.

I am in receipt of the courteous invitation of the Fire Underwriters' Association of the Pacific to attend its Twenty-sixth Annual Dinner on the 21st inst., and beg to express my appreciation and thanks for the same. I sincerely regret that circumstances will not permit of my being present on that occasion. Kindly accept my best wishes for a pleasant and enjoyable evening to those who may be so fortunate as to attend; also my best wishes to the representatives of companies doing business in Oregon for increased premiums and decreased losses during the year 1902. I take this opportunity to heartily express my thanks for the courtesies and consideration they have shown this office.

Sincerely yours,

F. I. DUNBAR,

Secretary of State and Ex-officio Insurance Commissioner.

Carson City, Nev., February 18, 1902.

Mr. George W. Spencer, Chairman.

I am in receipt of an invitation to attend the Annual Banquet of the Fire Underwriters' Association of the Pacific. Please accept my thanks

for the same. I regret very much to be compelled to decline as I find it impossible to leave my business at this time. I hope on some future occasion to be able to be one of you when gathering about the festive board. I am certain that you must have a good time with such a lot of jolly fellows together and I shall miss the occasion very much. Give my best regards and good wishes to all hands.

Very sincerely yours,

SAM DAVIS, State Controller.

Salt Lake City, Utah, February 18, 1902.

Mr. George W. Spencer, Chairman.

I acknowledge receipt of your kind invitation to be present at the Twenty-sixth Annual Dinner of the Fire Underwriters' Association of the Pacific, on the 21st inst. I regret very much that I will be unable to be present.

Very respectfully,

J. T. HAMMOND, Secretary of State.

San Francisco, February 19, 1902.

Mr. George W. Spencer, Chairman.

I respectfully desire to acknowledge the receipt of the kind invitation to be present at the Annual Dinner of the Fire Underwriters' Association of the Pacific on Friday evening next, and to convey my sincere thanks for the same. I regret to state that it will be impossible for me to be present on that occasion.

Very respectfully,

D. G. SULLIVAN,

Chief Engineer, S. F. F. D.

San Francisco, February 19, 1902.

Mr. George W. Spencer, Chairman.

I regret exceedingly that it will be impossible for me to attend the Annual Dinner of the Fire Underwriters' Association, February 21st. I sincerely thank you for the honor, knowing that such an affair under your chairmanship will be a success and a happy time to all. I wish all the members of the Fire Underwriters' Association long life and prosperous years in the future.

Yours very respectfully,

CHAS. TOWE, Fire Marshal.

Salt Lake, Utah, February 21, 1902.

George W. Dornin, President.

Sincerely best wishes for a most delightful evening. We are very lonely, but with you in spirits.

WM. MARIS,
E. R. THOMPSON.

Portland, Or., February 21, 1902.

Mr. George W. Dornin, President.

We trust the Annual Meeting has been eminently successful. Much regret our enforced absence, especially at the dinner, which we hope you will all enjoy. Don't forget the absentees in Portland. Perhaps some one will say a word or two for us. Washington's Birthday comes in very opportunely this year.

CHALMERS, STOY, RAYMOND, GUNN, SMITH (H. H.),
DAVENPORT, WHITMER, SCHLINGHEYDE.

SONG AND ENCORE: [By the Knickerbocker Quartette.]

The President—From time to time among the playbills on the dead walls of our city, you may have noticed a play depicted "Hearts of Oak." It seems to me that this term might well be applied to those sturdy pioneer specials of the sixties and early seventies, who, before the advent of Pullman sleepers and Wagner diners, were wont to "hit the road" in dead-ex buckboards or comfortless mud-wagons, and deemed it luxury if at dead of night, while toiling up Priest's Hill to Second Garrote, or dragging their weary way through country roads hub deep in mud, they were privileged to curl up in the box beneath the driver's seat, with the treasure-box for a bed and a canvas mail pouch for a pillow. Such were the specials of those early days. Some of them are with us yet, among them our dear old friend, Uncle Billy, on whom I now take pleasure in calling to respond to the toast "Our Deteriorated Specials."

Mr. Sexton—Mr. President, guests, and fellow members: It has been said that some people talk all of the time, all people talk some of the time, and some people talk none of the time. The President was kind enough to give me notice that I should be called upon to reply to a

new species which has been discovered, described in the papers as the "deteriorated Special." I do not know any such, consequently there is no subject before the meeting—unless I may be.

I do not know just what to do. I do not know what I would have done, had it not been that I was confiding my troubles to Mr. Fabj here, and telling him what I was supposed to talk about, and he said to me, "There is nothing left for you to say. Mr. Dornin, Mr. Dutton, and Mr. Schively, and the other speakers, have covered all the ground." That started my Irish, and I said I would find something to say. I cannot find anything bad to say, Mr. President, about the present Special; in fact, I would not say it if I could find it. But to start with, I will put myself on record as saying that the Special has not deteriorated; that the Special is about the same as he always was. But I have found, in my sixty-nine years or so, that the old men are continually telling how much better they were when they were young than are the young men of the present generation; how much more they knew when they were young than the present young men. I may possibly get to that point forty or fifty years from now, when I get old. But up to this time I find that the young men know more than we did when we were young. I find that the present Special knows more than we knew. If I could not say this I would not say anything, because if we cannot say that honestly, we would have to say that this Association of ours has been a failure. We have been comparing notes and rubbing together, as rocks rub together and become smooth, and, as a matter of course, have improved—both the old Specials and the young Specials have improved.

The Special of today differs somewhat from the old Special, in this, that the present Special is a specialist. He is not the Special of twenty or twenty-five years ago; jack of all trades and master of none. The Special of today is a soliciting Special—is a business Special—knows what kind of business to get, and is thoroughly up in his line. Another class are the Adjusters, specialists again—we are running to specialties just like any other profession. The Adjuster of today knows more than the Adjuster of ten or fifteen years ago. Then there is the Inspector, and the Inspector of today knows more than the Inspector did then. The Inspector at that time would look at the stovepipe, and sometimes climb up over the ceiling to see it, and sometimes would look at the property from his buggy on the street. He would sometimes look at the back part of the store to find out whether the oil and sawdust were properly mixed or not, for spontaneous combustion. But the Inspector of today

has to know something about electric lighting, and many other things that we did not have then.

Special work is like other work. An old carpenter that I was talking to the other day said the present day carpenter didn't know anything about his trade because he could not make a sash. "The carpenter of my day," he said, "worked out the sash and put the glass in it." So a blacksmith might say, reverting to the olden days, "The blacksmith of my day made the nails for the shoes with which he shod the horses, and the blacksmith of these days does not know anything because he cannot make nails."

A big building on the corner of Montgomery and California streets went up the other day to take the place of what was once the finest building west of the Mississippi river, and that was only fifty years ago. It was a granite building of four stories. That shows that the builders of today are far ahead of the builders of fifty or thirty years ago. The iron work today in ships and other iron structures, shows that the iron worker of today is far ahead of the iron worker of thirty years ago, notwithstanding the fact that he does not know how to make horse nails. It is the tendency of the day to run to specialties. Thirty or forty years ago, if a man had a pain in his stomach, or something of that kind, the doctor would tell him to stick out his tongue, and would give him a dose of salts—funeral next Sunday. Today if a man has trouble with his insides, the doctor lays him on the table, taps him all over, finds there is something wrong with some useless appendix, cuts him open, removes the cause of the pain, and sews him up—he goes to church next Sunday.

The same thing is taking place in the case of the Special. The difficulty is that we cannot always see it—we old men cannot. I noticed that the papers read today before the Association were different from those we had fifteen or twenty years ago. It may be said about the present day Special that he does not know how to make a diagram and map a town. He doesn't have to; Sanborn does that. The present day Special, it is said, does not know how to make rates. He doesn't have to, because the towns are specially rated. They say he does not know about the apportionment of policies under the Kinne rule. He doesn't have to, as policy forms are printed concurrent. For this reason, the old man of today, that is, the old man who has not kept up with the times, will say that the Special of today does not know anything.

Now, in the papers read today, in addition to those enumerated by Mr. Dornin, there are some others, particularly a paper written by our friend Mr. Spears from Texas. You people have heard of Texas. The

paper was historical and statistical, and it took me back to 1844, when I first heard of Texas. It was in the days when we were in favor of annexation. I recollect that in 1844 James K. Polk was elected on a song that ran something like this:

"We will join Texas to our nation
We will give to it a situation,
Along with folks of rank and station,
Next November in the fall."

That is how we happened to have a paper on Texas here today. In addition to that, that is how we happen to be here today ourselves. Because the battle of Alamo, that he refers to, brought the Mexican war, the Mexican war brought California, California brought us; and, had it not been for the battle of Alamo, San Francisco would have been today a nice, quiet, adobe Mexican town, that would not have been disturbed by underwriters or other troublesome people. The old time Special worked, as the Special has to work today. The Special then made rates ten per cent, or maybe fifteen, or sometimes twenty, didn't know whether the town would last a month, or six months, or ten years. Today, when the Special plants his company, he looks around to see what the present condition of the town is; whether it is supported by timber, by mining, or by agriculture, and he reports as to the probability of its being a permanent town. Look at the statistics we had today in the paper on Texas. Heretofore we have put Texas down as a country of cowboys, cactus, breakbone fever, and things of that kind. We find instead that it is an empire, producing more wheat than any other State in the Union, except California, having more mills than California and a whole lot of States put together; that it produces oil enough to float the navies of the world, and that it is a good place to do insurance in—a good place for everybody. It is bound to be a big country, and the Fireman's Fund will stay there.

This is the difference between special work now and the special work of twenty-five or thirty years ago. Consequently the Special of today has to be better posted, has an opportunity to be better posted, and is better posted, than the old one.

Of course, there is the other side to all this. They tell you how much easier it was to get business in those old days—and this is an old man's story. The old man is used to telling what he did when he was young, and the young man has an idea of what he would have done if he had been there. The young man of today says it was no trouble to get business then: "You people had the field then when there was no com-

petition." I am reminded of the fact that I met Mr. Dornin thirty-four years ago in San Francisco, and I was out of a job. He had been to San Jose a number of times to get an agent but couldn't find one, and so he employed me to go to San Jose. I went to San Jose and went to work there. There was not much competition, but an item in the daily paper one day said that "insurance agents were so thick around the street corners that a man could not throw a stone at a dog without hitting an insurance agent." There were in Santa Clara county at that time six or eight dwellings on which one could write \$5,000 of insurance on dwelling and contents. At this time there are probably six or eight hundred. So that while there is a little more competition now than maybe there was then, there is something more to compete for.

Then our friend, the up-to-date Special, comes along and tells about what a terrible time he has with the non-Boarder. That non-Board story reminds me so much of a frog story that I will have to tell it.

A man in Michigan bargained with a restaurant keeper in Chicago to sell him a carload of frogs a week. In about a week he came in with a little tin pail full of frogs, and he was asked, "Where is your carload of frogs?"

"They are in that tin pail," he said.

"In that tin pail? What are you talking about?"

"Well," he said, "from the noise they made I thought I could furnish you a carload a week. But this is all there is of them." (Laughter.)

In the olden days of twenty years ago, we had non-Board competition that was competition. The non-Board companies, before the Pacific Insurance Union was formed, were writing 42% of the business. Today I think they are writing about 9% or 10%. So much for that branch of it.

Then there are some other matters about what a man had to do to get business then. He had to meet some little sharp practice. I recall one bright Special who came into a mining town, surveyed and diagramed it, but could not get any agent or any business. Walking down the street, he saw what was known as a dance house, with a red light visible and festivities in progress. He went in there and he sat down a few minutes, and he spoke to the proprietor, Tom Jones, about insurance, and Tom said, "What do I get out of this? Suppose I insure; what then?" "Well," said the Special, "if you pay (bets) \$300, that is, 10% on \$3,000, and you burn out, you get \$3,000." Tom replied, "that is a good bet. I will take that." The news went around that Tom Jones had insured his outfit, worth about \$1,000, for \$3,000, whereupon immediately every man in the town applied for insurance. The Special took their applications

and sent them to the office with instructions to reject Tom Jones and write the balance. (Laughter.) That is the way some of the little things went in the olden days. They are old-man stories, and I guess I had better stop.

But a Special in those days, like the Special today, had to behave himself to hold his job. I saw an article the other day where it was said that it was only necessary for a man to go into a town and paint it red in the olden days—you don't understand what that means; it means getting drunk—and then he could get all the business he wanted. If that is so, some of us missed getting business. But the Special at that time, as somebody said this evening, carried the character and coin of the company with him, as he does today. When he leaves the office, he is the Board of Directors, the staff, from the president to the office boy, and he carries it all with him. And the impression that he makes on the community impresses the character of his office upon that community. In fact, the Special then, like the Special now, reminds me of the old song—I cannot sing the song, in fact I cannot sing anyhow—but the song was about a shipwrecked sailor survivor of the "Nancy Brig"; you have all heard it I suppose. He had helped to eat and had eaten all his shipmates, the captain, the cook, the mate, the bo'sun and the midshipmite, and it ran something like this:

" Oh, I am the captain and the cook,
And the mate of the Nancy brig;
The bo'sun tight and the midshipmite,
And the crew of the captain's gig."

That is the Special as he was and is, and so long as he keeps up with the times, the companies will prosper. If he does not, the companies will decline. And, as they have always prospered, in this field, there can be no better evidence that the Special is keeping up with the times and is not deteriorating.

(Applause.)

The President—Occasionally, gentlemen, insurance companies have to go to law—not often. But I have noticed among the brethren around the table this evening our good friend Mr. T. C. Van Ness. I have not spoken to him about it, and am calling upon him unawares; but, as you all know, he has the retainer's fee, and should he object or ask for a continuance, I shall have to deny his motion. Gentlemen, Mr. Van Ness.

Mr. Van Ness—Mr. President and Gentlemen of the Fire Underwriters' Association: The President of the Association, as presiding officer of the evening, has mentioned my name in connection with the law, and I suppose I am therefore expected to say something which will indicate some knowledge of the law on my part. A rather good story is told with relation to this matter of the law concerning the original organization of our Superior Court. Some of you gentlemen may be old enough to remember the organization of the present judiciary system of the State of California. It provided for a Superior Court in the city and county of San Francisco. They considered it possibly a misnomer to call it a Superior Court. Nevertheless it is known as a Superior Court, and the law provided for the division of this court into twelve departments, the theory being that there would be a certain number of departments given over to civil business, a certain number to criminal business, a certain number to probate business, and so on. We elected twelve judges of the Superior Court. After they were elected, they got together and assigned themselves to these departments. Among the twelve was a young man who was supposed to be a pretty good criminal lawyer, having had some experience in criminal matters. The other eleven had not had much experience of any kind. When they came together at the first meeting to divide up the business, they hemmed and hawed and hesitated, and finally it was suggested, "Well, there's Smith; he knows a little something about criminal law. Suppose we assign him to one of the criminal departments?" The others said, "Yes; that's so," and Smith said, "Yes, I know a little about criminal law; that's all right; I'll take the criminal department." Then someone said, "That's all right for Smith who knows some criminal law, but what the devil will the balance of us do who don't know any law at all?" But my friend, Mr. Dornin, calls on me in response to the proposition that here is a gentleman who knows something about the law. Now, upon occasions of this kind, I don't know anything about the law, and I don't want to know anything about the law, because there are better things to talk about.

Something has suggested itself to my mind as we have gone through the evening. This is about the twentieth annual banquet of the Fire Underwriters' Association that I have attended, and, classing myself among the older men, like Mr. Sexton and Mr. Dutton, I feel very much as the old oak tree that Tennyson sings about felt when kissed by the young maid who had made the foot of that tree her trysting place:

"Hard wood I am, and wrinkled rind
But yet my sap is stirred."

It is upon such occasions as this that those of us who have lived long in the community feel that, after all, although time is bringing wrinkles to the face and gray to the head, we are still young. If it were not for such occasions we would be growing gray not only upon the head but gray mentally, gray physically, and gray spiritually. It is just such occasions as this, I say, when we can come among you of the younger growth, and feel, after all, how much a part of the world and how much a part of the community we are.

But, gentlemen, standing as we do upon this possibly somewhat higher plane, so far as point of view is concerned, we can realize the truth of what has been suggested here tonight—how much of progress has been made not only in this business but in the community in which we live generally, and in all that goes to make up life. I can recall a period in the city of San Francisco when men whose names have now become past history were among the vital and moving forces of the time. I can remember, as a child nine or ten years of age, personal contact with men who were giants in their day, but who are now but a memory. You know what they were, and the conditions that existed then. And, comparing that time with today, I think I can say that we have certainly progressed. I can recall David C. Broderick, who was shot by David Terry in a duel where now a portion of the water supply springs that is flavoring your wine tonight; David Terry himself shot by another in the defense of Stephen J. Field, a Justice of the Supreme Court of the United States. I can recall the conditions under which these men lived in a little town, when Powell street was the boundary of civilization on the west, Second street towards the bay, and practically Folsom street to the south of us, with a little hamlet at the southern part of our city. I can remember the time when Van Ness avenue was an unbroken line of sand hills with nothing but a cow path from the Mission to the city. And, remembering kindly, as I do, those conditions at that time, I feel that I can say, as I have said before, that we have progressed.

I was struck tonight, when I came into the outer room, with this fact: As I say, this is the twentieth banquet that I have attended, and I remember well the first one, when my friend George F. Grant was at one end of the board, and that jolly good fellow, William J. Callingham, was at the other, sitting at a table no longer than the center line of this room, and I believe I knew every man at the table. Today, with the growth of business, the increase, the spread of this business that you gentlemen are interested in carrying on, larger than many of you realize, looking over the faces that I saw out there, I do not think I could recog-

nize one quarter as personal acquaintances. The fact is the business is growing, the older men are retiring, the young men are coming in, and to the youth, the young blood and the young brains that are represented here tonight, and into their hands, in them and with them, lies the future of the insurance business. Is it progressing or is it not? The results of the last year or two tell the story. As was so well said by the Insurance Commissioner of Washington, and by Mr. Schively, who spoke last, progress is the order of the day, and by the way I know of no particular in which that progress is better indicated than by what we have here tonight—the Insurance Commissioner representing a great State, who has the manhood, the courage, and the breadth of mind, to speak fairly of what he finds among the members of this fraternity. When the time shall come that in this business there can be, throughout the length and breadth of the United States, a coming together upon an intellectual and fair plane, of the men who are engaged in the insurance business with the men who are engaged in regulating this business, a coming together upon the level of fair dealing and fair treatment, then indeed will we have progressed to a point where we can say that we have made material advancement.

I know something about the inward workings of this business, not from a purely technical standpoint, but from the standpoint of fair dealing, for I have been acting professionally with you gentlemen more or less for twenty years, and I can say that I know of no class of men engaged in any line of business (and my professional duties have brought me into contact with most all lines of business) where there is a more generally even disposition at all times to do what is right. (Applause.)

There are in this business, as there are in every business, men who are not fair—men who by temperament are not disposed to be fair. But they are in the very, very small minority. They are so few that they make no impression upon their time; they make no impress upon the business in which they are engaged. The managing men of this business and those behind them, the specials and others whose mental make-up and whose business habits are the result of their dealings with those who are in the control of this business, the great majority of these men have nothing in view but the doing of what is right. And it is the mistake that has been made in some of the States in this Union that this is not recognized, and that there is not a disposition to deal with this business as other kinds of business are dealt with, simply upon the level of trying to reach a common platform of fair dealing.

That we have progressed cannot be gainsaid; we all know it. My friend Mr. Symmes has voiced to some extent this idea of progression. With that acumen that belongs to the wise merchant, who is always trying to get much out of little and to make a profit possibly out of a small investment, he wants the companies to issue a policy which will protect him from what he possibly anticipates in the world to come, and only asks that the premium be reasonable. In this thought there lies the suggestion of a progressive and forward movement. But the trouble with my friend Symmes would be in determining the extent of moral hazard. Gentlemen, he will be appealing to you some of these days to fix the premium rate, and when you do be careful about the conditions of the policy. I will venture to say that when that time comes, and the companies are issuing policies against this kind of damage by fire, that when there is a contest over the policy, if they will bring it to me I will agree to defeat the suit upon the ground that practically every condition of the agreement has been broken.

(Laughter and applause.)

The President—Do you realize, gentlemen, that in this enlightened age there are some people who know nothing about the Fire Insurance business? I want to assure you that there are; and we have one here tonight who, though he does not know the ins and outs of the business, has been seeking light upon the subject, and he will now address you upon the subject of "Insurance from an Amateur's Standpoint." I introduce to you Hon. H. A. Melvin, Superior Judge of Alameda County.

Mr. Melvin—Mr. President and Gentlemen of the Association: It is true, as my friend Dornin says, that I know very little personally about insurance. Yet I feel that I have acquired considerable knowledge upon that subject, both by inheritance and by marriage, because I married the daughter of a distinguished underwriter and my father was the president of an insurance company that went "broke" at the Chicago fire. However, I have endeavored of late to add to my stock of knowledge, and have made a strenuous effort to obtain an insurance education. Now, I have always been a believer in education, and have been as much of an admirer of education on all subjects as an Irishman of whom I once heard who occupied a position as sailor on a cordwood scow that was anchored in the bay. He had retired from his labors of the day to his bunk. His associate, Tim Murphy, was sitting on deck, looking out over the waters

of our beautiful bay, smoking his "dudine." And as he sat there, Murphy soliloquized, "Lord Rosse was a great man." And from the cabin came the voice of his companion, "He were?" "He were," said Tim. "Look at that now! What did he do?" asked Pat. "What the h—I didn't he do!" said Tim. "I know; but what did he do?" said Pat. "He invented a spy-glass," answered Tim. "He invented a spy-glass?" said Pat. "He did," said Tim. "What the divil is a spy-glass?" asked Pat. "It's a machine that shows you the nearer the sun you get the colder it is," answered Tim. "That the nearer you get to the sun the colder it is?" said Pat. "That the nearer you get to the sun the colder it is." "Arrah now! That the nearer—" "Yes. Up on the top of Mount Shasta there is snow all the time, and down at the foot of the mountain there is flowers bloomin' and things growin' all the time!" "Oh, look at that now! My God! Tim; what a great thing eddication is anyway." (Laughter.)

In my efforts to obtain some education upon the subject (and I have had other advantages besides those of marriage and inheritance; I went to college with John Dornin), I applied to his elder brother, and I used the Socratic method, and asked questions. I said to him, "What are long and short term risks?" and he said, "They are just the same as long and short sentences; the victim suffers in proportion to the length of the term." I next inquired, "What is mutual fire insurance?" and his reply was, "Heads I win, tails you lose." Next I asked him what a special agent was, and he said, "The professional bluffer of the profession." I then inquired of him what a compact was, and he said it was a union in which every member was a walking delegate, and in which the grievance committee was in session all the time. (Laughter.)

These and other things I learned during my conversation with your distinguished President. After that I concluded that I knew considerable about insurance; and I must confess, gentlemen, that as the conversation progressed, my admiration for insurance and for underwriters increased greatly. It has not been decreased this evening. I have been very much edified and delighted to know what great men your special agents are.

The last question that I asked my friend Dornin was, "What is an adjuster?" No, I asked him one other before that: "What is the difference between life insurance and fire insurance?" and he said, "One is petit larceny and the other is finance." (Laughter.) I then inquired, "What is an adjuster?" and he said, "An adjuster is a missionary to the benighted victim of a loss, and that it is more blessed to

give than to receive. In other words, the adjuster is the great man of our business; he is really a greater man than the President."

After this conversation, and after the admiration which came to me for the members of your great profession, I thought that you must indeed be distinguished men. And I have been more fully convinced of that fact, because I learn that it is your custom to invite to your banquets always one or two lawyers and one or two judges. I make a distinction between lawyers and judges, because my friend Mullany said once in quoting from a text book in court, "This, if your honor please, is a work well known to all lawyers and some judges." (Laughter.) I think that your custom of inviting lawyers and judges to your banquets is an excellent one. And I hope it will be kept up. However, to be sure, I am going to apply after this banquet is over for an honorary position as a deputy to the Insurance Commissioner of the State of Washington, so that he may issue to me the same order that was issued to my friend on the right. (Laughter.)

I am here reminded of a story that is told of a banquet given once by some railroad men in Philadelphia. One of the guests was Archbishop Ryan, and another was Attorney-General MacVeagh, who was the attorney for several of the corporations represented. During the evening Mr. MacVeagh turned to the Archbishop and said, "Your Grace, you see at this table men who can have almost everything that money can buy; all the luxuries of life are theirs. And they are so fond of having luxuries, so fond of having things that they desire, that they have their attorney with them all the time; they cannot even give a banquet of this kind without having their attorney present. Now, these men have almost everything"—and you will notice that General MacVeagh was something like Mr. Symmes—"but they would like something else. They can give you passes all over the world if you, in exchange, would give us a free pass to Paradise." The Archbishop shook his head, and he said, "Ah, General, I should like to do that, but I should hate to separate these men from their counsel." (Laughter.) I hope the same will apply tonight—that the gentlemen present will not separate from the legal profession—at least until long after dessert and until those present have "cut into the grape" considerably. And while in future it may be that the members of the legal profession will take a sort of spiritual Santos Dumont airship while those of the underwriters' profession will go to a place where there is lots of fire and very little insurance, I hope the separation will be long deferred—although I do not believe exactly in the

doctrine of a Southern gentleman who said that the only way for a gentleman to leave a banquet table was to go under it.

I reiterate the sentiment that the members of this profession are, for the most part, good fellows. Of course there are exceptions to the rule, but most of them are gilt edge risks; while there may be a few of them who have kerosene and gunpowder in their moral parts, these are very few, thank heaven. And I am inclined to dissent from the opinion that some people have of underwriters, expressed in the story I once heard of an underwriter who went to the gates of Paradise and was refused admission. He took the elevator and went down, and when he reached the realm of his satanic majesty, he was received by the presiding genius of that place, who asked, "What was your business on earth?" "Insurance," was the reply. "Life or fire?" asked Old Nick. "Fire!" And immediately he was thrust into a chute, and, as he went downward toward the superheated portion of that realm, His Majesty yelled down through the tube to the chief stoker, "Insurance—fire!" (Laughter.)

I hope that we shall all be able to leave this table, not as the Southern gentleman said we should, but in such condition that we may greet the morrow, each with a consciousness, a proud consciousness, that he is engaged in an elevating profession, that he is engaged in a business of which men should be proud, in this land upon the western shore of that great Republic which tomorrow will celebrate the birth of George Washington.

(Applause.)

The President—There is one department of our business, gentlemen, that we have not yet heard from, and that not the least important. I refer to the Insurance Press. I now call upon our good friend, James A. Carey, who will, I trust, forgive me for placing him so late in the evening.

Mr. Carey—Mr. President and Gentlemen: During the past ten years it has been my privilege—and one that I have greatly enjoyed and appreciated—to meet with you at these annual banquets without having been called upon to contribute in any way to the general entertainment—except that I was expected to look cheerful, as respectable as possible, to applaud at the proper intervals and to maintain that austere dignity of demeanor, and that expression of superior mental felicity, not to say ecstasy, which so readily distinguishes the honorary member from those

who are compelled to contribute their pro rata to the expense account. If I have performed this duty satisfactorily I am happy, and I would have been still happier could this arrangement have been continued indefinitely. This year, however, our worthy President informed me that I *must* make a speech. No speech, no dinner. To this circumstance, gentlemen, is due my present embarrassment and your pain. When I rashly consented to perpetrate this offense I honestly intended to keep my word, but after variously experimenting with myself and finding it impossible, I have, as a compromise, and a very lame one, written some verses, which at this auspicious stage of the proceedings I am tempted to hope may possibly by some be mistaken for poetry. Of those who have not yet sufficiently stimulated their imaginative faculties to discover the hidden beauties of this effort I crave indulgence—the others will probably good-naturedly enjoy it:

THE FIELD MAN'S FUTURE.

A bumper, boys, good cheer to you,
I drink a prosperous year to you,
And then I'll speak with bated breath
Of the fate of the special after death.

A field man died as field men will
When life leaves nothing to fulfill,
And flew at once to heaven's gate
And hovered there disconsolate.
He lingered in the outer shade,
Impatient, doubting, half afraid.
The brooding stillness settled round,
His list'ning soul could catch no sound.
At last he cried: "I greatly fear
That I am not expected here."
Then gaining resolution strong
He plied the knocker loud and long.
"What ho! What ho!" St. Peter said,
"You make much noise for one that's dead;
"Come, quickly tell your name and worth,
The good you did upon the earth,
"That I may judge if fit you be
To enter heaven's eternity.

"What have you done?" St. Peter cried;
Abashed, the special, meek, replied:
"I've tracked the bad risk to its lair
Through weather foul and weather fair;
"I've sizzled slow in climate hot
Never murmuring at my lot,
"And after shedding all my clothes
Have shot up north to frost and snows.
"I've turned a whole year's bad work down
And borne the local's threat and frown,
"Who disapproved in words, I fear,
Which might offend your holy ear.
"Indeed I've been a wand'ring Jew;
I've slept in barns and haystacks too,
"And many a night on ear and brain
Has thumped the thump of the cattle train.
"I've striven hard to save expense
And never thought of recompense.
"I knew that my reward would be
Awaiting here in heaven for me.
"In North Dakota's freezing lands
And great Mojave's desert sands
"I've watched the glittering fire-bug fly
And seen the ratio limp and die;
"I've watched the rancid bacon creep
In form fantastic through my sleep;
"I've eaten eggs you have to kill
Before you cook them; stranger still,
"I've tamed that oyster which is used
In Bigg's soup in Santa Cruz.
"All this I've done; I've suffered sore;
I've toiled and planned and done much more
"That greater glory might accrue
To S. F., the home office too;
"That men might say when praises ran,
'His manager's a worthy man.'

"'Tis true my recompense was clear—
 They gave me one square meal each year
 "I therefore may be wrong to state
 These things to open heaven's gate."
 He paused: St. Peter raised his head,
 "Self-abnegation's good," he said,
 "And well requited those shall be
 Who further such felicity;
 "But hold! upon the judgment page
 I find a serious charge whose age
 "Is tender still from recent birth—
 A clipping from a book on earth
 "Which flatly charges you, I see,
 With rank inferiority.
 "Deterioration is applied
 To all your breed both far and wide.
 "It says with editorial frown,
 To go away back and sit down."
 St. Peter paused and calmly took
 From out the judgment record book
 A printed slip: with manner cold
 He passed it through the bars of gold.
 "Come, tell me if you can refute
 The vital question in dispute."
 The field man smiled a sickly smile
 And turned the slip in hand the while,
 Then gazed with furtive looks about
 To find a loophole to creep out.
 Behind was naught but naked space;
 In front that cold, accusing face;
 "Oh, Lord, what luck," he trembling cried
 "So near to heaven and yet outside."
 He hesitated, hung his head,
 "Indeed, 'tis very sad," he said;
 "Thus does my soul yield up its leaven;
 To think that book should smell to heaven

And then not finding just excuse
To counteract this harsh abuse
He turned away in sore distress
And took the downward path, I guess,
For very soon upon the air
Appeared a steady, lurid glare,
And there his steps instinctive bent
Preparing loss blanks as he went.
Arrived, he meets his old time friends
With fervor that long absence lends,
And, looking round, the names he sees
Of old familiar companies.
The old Northwestern, Home and Sun,
The Salem Fire of Oregon
And others, too, of mushroom fame,
Whose capital was but their name.
He there resumed his work again
Without a sigh or might have been,
Content within the gates to dwell,
The same old business—same old hell.
Fill up your glass and drink a toast
To the jolly field man's flitting ghost;
A health, a health, with a rouse and cheer
To the field man there and the field man here.

The President—I owe an apology, gentlemen, to my old friend, Max Bertheau, for not introducing earlier in the evening his little rhyme to the air of "Whistling Rufus." The hour grows late, and I will ask you to wind up the ceremonies of the evening by singing heartily the song, in which we shall be accompanied by our orchestra.

POTPOURRI.

I.

MEL.—“*Whistling Rufus.*”

Nineteen naught one, dat beloved old year,
 Brought luck as none did before;
 Increase in premiums, reduced tax on beer,
 How can a man wish for more?
 Den de loss ratio was very low,
 And de expenses grew less,
 Would not dat be, if it could always be so,
 Heaven on earth, I should profess.

:/ But dar are odders,
 So full of troubles,
 With compact bidders,
 Loss ratio doubles,
 Big conflagration
 Brings consternation,
 Cuts de contingent commission down./:

II.

Ere de adjuster is froo wid de loss,
 He should look into de cause;
 Whedder a lamp kicking cow was de cause,
 Or a match struck by a hoss,
 Whedder a chile in a room built bonfires,
 Or her hair curl'd a sweet maid,
 Or if an arc lamp, or entangled live wires,
 Were de cause as de owner said.

:/ If rats and matches,
 Or fancy lamp shade,
 Or wash dat catches,
 When blown against grate,
 Or decorations,
 For celebrations,
 Or de convenient “cause unknown.”/:

III.

When dar is somewhere a big haul to make,
 Which swells de premium account,
 Den you will find de ole man wide awake.
 After de whole big amount.
 Wid all de tricks dat de board will permit,
 Sprinklers and barr'ls on de roof,
 He will get de rate down and you will write it,
 As low as if it were fireproof.

:/ Let me advise you
 You just endure him,
 He'll hypnotize you,
 You'll reinsure him,
 And give in exchange,
 A ten per cent range,
 High rates is what wants de sly ole man./:

IV.

When de young special gets out on de road,
 He smokes de long cigarette,
 Swears dat he never will have on a load.
 He is a dandy, you bet!
 And he makes friends wid de agents he starts,
 And he makes love to de girls,
 In each town he has one or sev'ral sweethearts,
 And he gives dem gold rings and pearls.

:/ You could not draw him,
 From water wagon;—
 Next time I saw him,
 He had a jag on,
 Froo prohibition,
 Lost his position,
 Has to go way back and must sit down./:

The banqueters then joined in a hearty rendition of "Auld Lang Syne," at the conclusion of which President Dornin said: "Gentlemen, it is now Washington's Birthday, and I ask you to join in singing 'The Star Spangled Banner.'"

After the singing of our national song, three cheers were given for President George W. Dornin, whereupon the company dispersed.

The service and accommodations of the Banquet Hall of the Maple Room gave general satisfaction. The attendance was large; the stringed orchestra discoursed enlivening music; the Knickerbocker Club sang well, and the members' attention gave an air of harmony to the proceedings that was dignified and enjoyable. The "Oakland Contingent" were just in time for the midnight boat; and all members and guests regretted the termination of the Twenty-Sixth

Annual Meeting of the Fire Under-
 writers' Association of
 the Pacific for



WILLIAM RALSTON HEATH

At a special meeting of the Fire Underwriters' Association of the Pacific, held in the rooms of the Association August 31, 1901, the following Memorial was unanimously adopted:

WILLIAM RALSTON HEATH.

As the low descending sun brings the shades of night, so does the ebbing of a loved one's life breathe a sorrow whose poignancy Time only can relieve.

WILLIAM RALSTON HEATH has responded to the Reaper's blow. He passed from us as he had lived, serenely and hopefully, yielding to fate and an overmastering destiny. His life was full of promise and his death left no sting save that of the sorrow at his untimely taking off. The heritage of some is of material things, but to him fell the glory of a kind heart, a genial and happy nature, a steadfastness to friend and principle, an unswerving integrity, and lo! who commands more? Whose monument reared in stone shall be more enduring?

As a native of California, in the thirty-fifth year of his age, WILLIAM RALSTON HEATH departs this life, and bequeaths to our memory cherished examples of some human errors, blended with many Christian virtues.

"From the voiceless lips of the unreplying dead there comes no word: but in the night of death hope sees a star and listening love can hear the rustle of a wing."

E. P. FARNSWORTH, }
R. W. OSBORN, }
DIXWELL HEWITT, } *Committee.*

OFFICERS AND COMMITTEES.

List of Officers and Committees of the Fire Underwriters' Association of the Pacific, since organization:

Year	President	Vice-President	Secretary-Treasurer
1876	†Benjamin F. Lowe	Henry H. Bigelow	†John W. Staples
1877	George D. Dornin	William L. Chalmers	†John W. Staples
1878	†Augustus P. Flint	Edward Brown	†John W. Staples
1879	†Casper T. Hopkins	Andrew D. Smith	†John W. Staples
1880	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1881	Louis L. Bromwell	George F. Grant	†John W. Staples
1882	George F. Grant	Edwin W. Carpenter	†John W. Staples
1883	Edwin W. Carpenter	William Sexton	Robert H. Naunton
1884	William Sexton	Charles Mason Kinne	†Charles P. Farnfield
1885	Charles Mason Kinne	†Zenas P. Clark	Robert H. Naunton
1886	†Zenas P. Clark	†John W. Staples	Robert H. Naunton
1887	†John W. Staples	William L. Chalmers	Bernard Faymonville
1888	William L. Chalmers	Lemuel B. Edwards	Bernard Faymonville
1889	Lemuel B. Edwards	†William J. Callingham	Thomas W. Fenn
1890	Bernard Faymonville	William H. Lowden	Robert H. Naunton
1891	William H. Lowden	Henry M. Grant	George H. Tyson
1892	Henry M. Grant	Stephen D. Ives	Edward Niles
1893	Stephen D. Ives	Rolla V. Watt	Russell W. Osborn
1894	Rolla V. Watt	V. Carus Driffeld	Russell W. Osborn
1895	V. Carus Driffeld	Herbert Folger	Louis Weinmann
1896	Herbert Folger	Russell W. Osborn	Louis Weinmann
1897	Russell W. Osborn	Louis Weinmann	Calvert Meade
1898	Louis Weinmann	Edward Niles	Calvert Meade
1899	Edward Niles	Frank J. Devlin	Calvert Meade
1900	Frank J. Devlin	George W. Dornin	Calvert Meade
1901	George W. Dornin	William H. Gibbons	Calvert Meade
1902	William H. Gibbons	Whitney Palache	Calvert Meade

EXECUTIVE COMMITTEE.

1876	Louis L. Bromwell	James R. Garniss	George F. Grant
1877	Edward Brown	William J. Sanders	Andrew D. Smith
1878	Andrew D. Smith	Oliver H. Cole	George W. Spencer
1879	†Augustus P. Flint	William Macdonald	Albert R. Gunnison
1880	George F. Grant	Edward Brown	Oliver H. Cole
1881	George W. Spencer	Edwin W. Carpenter	Charles Mason Kinne
1882	Thomas Edward Pope	Andrew D. Smith	†Thomas A. Mitchell
1883	George F. Grant	Harvey W. Snow	Oliver Hawes
1884	George F. Grant	Harvey W. Snow	Oliver Hawes
1885	George F. Grant	Harvey W. Snow	Oliver Hawes

†Deceased.

EXECUTIVE COMMITTEE—Concluded.

1886	Henry K. Belden	†George F. Ashton	Calvert Meade
1887	Henry K. Belden	†George F. Ashton	Calvert Meade
1888	†William J. Callingham	George C. Pratt	Rolla V. Watt
1889	Bernard Faymonville	William H. Lowden	Henry K. Belden
1890	Henry K. Belden	George Easton	Henry M. Grant
1891	Henry K. Belden	George Easton	Alfred Stillman
1892	Alfred Stillman	George Easton	V. Carus Driffeld
1893	V. Carus Driffeld	William H. Lowden	William Sexton
1894	Herbert Folger	Franz Jacoby	James H. De Veuve
1895	Russell W. Osborn	Frank J. Devlin	John T. Fogarty
1896	Frank J. Devlin	George W. Dornin	Whitney Palache
1897	Frank G. Argall	Edward Niles	Robert P. Fabj
1898	Whitney Palache	†William H. Bagley	Leslie A. Wright
1899	John T. Fogarty	Alfred R. Grim	Whitney Palache
1900	Edward Niles	William H. Lowden	Russell W. Osborn
1901	Frank J. Devlin	Rolla V. Watt	William Sexton
1902	George W. Dornin	Herbert Folger	Louis Weinmann

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1882	George W. Spencer	†Samuel O. Hunt	†John W. Staples
1883	†John W. Staples	George W. Spencer	Robert H. Naunton
1884	†Casper T. Hopkins	George D. Dornin	†Andrew J. Bryant
1885	George W. Spencer	William Sexton	†Samuel O. Hunt
1886	George W. Spencer	William Sexton	
1887	George W. Spencer	Rudolph Herold, Jr	Thomas Edward Pope
1888	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1889	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1890	George W. Spencer	Edwin W. Carpenter	
1891	George W. Spencer	Edwin W. Carpenter	†Alexander J. Wetzlar
1892	George W. Spencer	Herbert Folger	James H. De Veuve
1893	Herbert Folger	Henry K. Belden	Richard C. Medcraft
1894	†Alexander J. Wetzlar	A. G. Dugan	Benjamin J. Smith
1895	A. G. Dugan	Herbert Folger	Edward P. Farnsworth
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1897	William Maris	Charles C. Echlin	Herbert Folger
1898	Herbert Folger	Benjamin J. Smith	Frederick B. Kellam
1899	Herbert Folger	H. McD. Spencer	Whitney Palache
1900	Herbert Folger	Frederick B. Kellam	Frank G. Argall
1901	Jacob L. Fuller	Charles B. Hill	Peter F. Gilroy
1902	Jacob L. Fuller	Peter F. Gilroy	Frederick B. Kellam

†Deceased

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1879	Charles Mason Kinne, Editor	William Macdonald, Associate Editor
1880	Charles Mason Kinne, Editor	
1881	Charles Mason Kinne, Editor	George F. Grant, Associate Editor
1882	Charles Mason Kinne, Editor	
1883	Charles Mason Kinne, Editor	
1884	Charles Mason Kinne, Editor	
1885	George F. Grant, Editor	
1886	George F. Grant, Editor	
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1888	†Alexander J. Wetzlar, Editor	
1889	†Alexander J. Wetzlar, Editor	
1890	George F. Grant, Editor	
1891	George F. Grant, Editor	
1892	George F. Grant, Editor	
1893	George F. Grant, Editor	
1894	George F. Grant, Editor	Edward Niles, Associate Editor
1895	George F. Grant, Editor	Edward Niles, Associate Editor
1896	George F. Grant, Editor	Edward Niles, Associate Editor
1897	George F. Grant, Editor	Edward Niles, Associate Editor
1898	George F. Grant, Editor	Edward Niles, Associate Editor
1899	George F. Grant, Editor	Edward Niles, Associate Editor
1900	George F. Grant, Editor	Edward Niles, Associate Editor
1901	George F. Grant, Editor	Edward Niles, Associate Editor
1902	George F. Grant, Editor	Edward Niles, Associate Editor

†Deceased

DINNER COMMITTEE.

(From first banquet in 1881, George W. Spencer, retiring president, to the present time):

George W. Spencer

George F. Grant



LIST OF MEMBERS—FEBRUARY, 1902.

ACTIVE MEMBERS.

- Agard, J. J., Special Agent, Hartford Fire Insurance Company.
 Alverson, W. W., Special Agent, Fire Assn. of Philadelphia.
 Andre, A. A., Independent Adjuster.
 Ankele, J. H., Special Agent, North German Fire Insurance Co.
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 Bailey, J. D., General Agent, Insurance Company of North America.
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 Bates, Lesley.
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 Bertheau, Max A., Assistant Manager, Hanover Insurance Co.
 Blanchard, H. P., Special Agent, Fireman's Fund Ins. Co.
 Boardman, Geo. C., of Boardman & Spencer, Gen. Agts. Ætna Ins. Co.
 Boardman, T. D.
- Boyd, H. C., Assistant Manager, Hamburg-Bremen Insurance Co.
 Bromwell, L. L., General Agent, Milwaukee Mechanics Ins. Co.
 Broomell, B. B., Special Agent and Adjuster.
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 Brown, H. H., of E. Brown & Sons.
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- Conroy, T. J., Manager, Manchester, Caledonian and Rochester German Insurance Companies.
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- Crux, Geo. A., Special Agent, Manchester, Caledonian and Rochester German Insurance Companies.
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- Deering, Chester, Special Agent, Pennsylvania Fire Ins. Co.
- DeGolia, Edwin B., Special Agent, Catton, Bell & Co.'s Gen'l Agency.
- Delafield, Robt. H.
- De Lappe, R., Special Agent, American (N. J.), American Central, St. Paul and Mercantile Ins. Co's.
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- Dickson, Frank W., Manager, Royal Exchange Assurance Co.
- Dornin, Geo. D., Manager, National and Springfield Ins. Co's.
- Dornin, Geo. W., Ass't Mgr., National and Springfield Ins. Co's.
- Dornin, John C., Special Agent, National and Springfield Ins. Co's.
- Driffield, V. Carus, Manager, Transatlantic Fire Insurance Company.
- Duffy, Thos. J., Special Agent, Commercial Union, Alliance and Palatine Insurance Companies.
- Dutton, W. J., President, Fireman's Fund Insurance Co.
- Dutton, Grayson, Special Agent, Fireman's Fund Ins. Co.
- Echlin, Chas. C., Special Agent, Home F. & M. Insurance Co.
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- Fabj, R. P., Special Agent, Fireman's Fund Insurance Company.
- Farnsworth, Ed. P., Independent Adjuster.
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- Fennel, Henry T., Special Agent, Commercial Union, Alliance and Palatine Insurance Companies.

Fogarty, J. T., Sup't of Agencies, Royal and Queen Insurance Co's.
 Folger, Clinton, with New Zealand Ins. Co.
 Folger, Herbert, Ass't Gen. Agent, German-American, Phoenix, New
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Fores, Harry W.

Frank, Wm., of Gutte & Frank, General Agents.

Francis, Guy, Special Agent, Connecticut Fire Insurance Company.

French, John S., Special Agent, Fireman's Fund Ins. Co.

Friend, R. B., Special Ag't, with Voss, Conrad & Co.'s Gen'l Agency.

Frith, T. T., Special Agent, Imperial and Niagara Ins. Companies.

Fuller, J. L., Ass't Manager, Norwich Union Fire Insurance Society.

Gartner, A. F., Independent Adjuster, Seattle, Wash.

Gazzam, W. L., Special Agent, Aetna Ins. Co., Seattle, Wash.

Gerould, P. E., Special Agent, National and Springfield Ins. Co's.

Gibbons, W. H., Special Agent, E. Brown & Sons General Agency.

Gilliland, Adam, Special Agent, Hartford Fire Insurance Company.

Giesy, A. W., Special Agent, Nor. Union Fire Ins. Soc'y, Salem, Or.

Goggin, Gerald E., Special Agent, London and Northern Assur. Co's.

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Grant, Tom C., General Agent, North British & Mercantile Ins. Co.

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Grim, Alfred R., Assistant Manager, Aachen & Munich Ins. Co.

Gunn, John W., Special Agent, Liverpool & London & Globe.

Gutte, I., of Gutte & Frank, General Agents.

Haldan, E. B.

Hall, O. N., Special Agent, Thuringia Insurance Company.

Hally, F. W., Special Agent, Aachen & Munich and Hanover Ins. Co.

Hamilton, J. K., Special Agent, Insurance Co. of North America.

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Haven, Fred L., Special Agent, Liverpool & London & Globe.

Henry, Carl A., of C. A. Henry & Co., General Agents Sun Ins.
 Office and Michigan F. & M. Ins. Co.

Hewitt, Dixwell, of Butler & Hewitt, General Agents, Phoenix Assur-
 ance of London, Providence-Washington and Pelican Ins. Co's.

- Herold, Rudolph, General Agent, Hamburg-Bremen Fire Ins. Co.
Hill, Chas. B., Special Agent, North British & Mercantile Ins. Co.
Hill, Chas. S., Special Agent, National and Springfield Ins. Co.
Hill, Wm. H., Special Agent, Edward Brown & Sons Gen'l Agency.
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Hoagland, W. W., Special Agent, Sun Ins. Office and Michigan
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Hughes, Ed. O., Special Agent, Commercial Union, Alliance and
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Ives, S. D., General Agent, Fireman's Fund Insurance Company.
Jackson, W. A., Special Agent, Commercial Union Alliance and
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Knight, L. W.
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Macdonald, Wm., Manager, London & Lancashire, Orient, State and
Netherlands Ins. Co's.
McIntosh, D. W., Independent Adjuster, Los Angeles, Cal.
McKowen, J. H., Independent Adjuster, Spokane, Wash.
Mann, H. R., of Mann & Wilson, Managers, New York Under-
writers' Agency.

Manning, F. J. H., Special Agent, Commercial Union, Alliance and Palatine Insurance Company.

Manning, William, Special Agent, Atlas Assurance Company.

Maris, Wm., Special Agent, Royal and Queen Insurance Companies.

Maxwell, J. D., Insurance Agency.

Mayer, F. J. Alex, Oregon State Agent Fire Ass'n of Philadelphia.

Meade, Calvert, Independent Adjuster. Secretary Fire Underwriters' Association.

Medcraft, R. C.

Mel, Louis, Special Agent, Ætna Insurance Company.

Mendell, Geo. H., Jr., Ass't Secretary, Fireman's Fund Ins. Co.

Mendell, Jno. M., Special Agent, Imperial and Niagara Ins. Co's.

Merrill, M. H., Special Agent, Commercial Union, Alliance and Palatine Ins. Co's.

Mesick, S. P., Special Agent, Pennsylvania Fire Ins. Co.

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Mitchell, Geo. M., Northern California Agent, Westchester Fire Ins. Co.

Morrison, Ed. C., Supervisor of Agencies, Ætna Insurance Co.

Morrow, J. H., District Manager, Los Angeles, Cal.

Mullins, C. F., Manager, Commercial Union, Alliance and Palatine Insurance Companies.

Naunton, R. H., Special Agent and Adjuster.

Niebling, E. T., Ass't Manager, Commercial Union, Alliance and Palatine Insurance Companies.

Niles, Edward, Supt. of Agencies, North British & Mercantile Ins. Co.

Nippert, Paul M., State Agent, Delaware Ins. Co.

Osborn, R. W., Assistant Manager, Pennsylvania Fire Ins. Co.

Overton, G. E., Special Agent, Milwaukee Mechanics Ins. Co.

Palache, Whitney, Ass't Manager, Hartford Fire Insurance Co.

Parker, Chas. T.

Parkhurst, H. E., District Manager, Salt Lake City, Utah.

Paterson, A. R. D., Special Agent, Thos. J. Conroy's Agency.

Pierce, D. W., Special Agent, New York Underwriters.

Pope, T. E., Manager, Pennsylvania Fire Insurance Company.

- Raymond, W. H., Special Agent, Liv. & London & Globe Ins. Co.
 Reed, James S., Special Agent, Connecticut Fire Ins. Co.
 Richards, John D.,
 Richards, J. H., Special Agent, Traders' Insurance Company.
 Roberts, Tom R., Special Agent, Transatlantic Fire Ins. Co.
 Robins, F. C. H., Special Agent, London and Northern Assurance Companies.
 Rodgers, Henry C., Special Agent, Commercial Union, Alliance and Palatine Ins. Co's.
 Schlingheyde, C. E., Special Agent, Atlas Assurance Company.
 Scott, Chas. O., Special Agent, Insurance Co. of North America.
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 Sewell, A. F., Special Agent, Imperial and Niagara Insurance Co's.
 Sexton, Wm., General Adjuster, Fireman's Fund Insurance Co.
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 Smedburg, W. R.
 Smith, Ben. J., Manager, Connecticut Fire Insurance Company.
 Smith, C. W.
 Smith, H. Brownson, Independent Adjuster, Butte, Montana.
 Smith, H. H., Special Agent, Union Assurance and Law Union & Crown Insurance Companies.
 Spears, J. V., Special Agent, Fireman's Fund Ins. Co.
 Spencer, D. A., Independent Adjuster.
 Spencer, Geo. W., of Boardman & Spencer, Gen'l Ag'ts, Ætna Ins. Co.
 Spencer, H. McD., State Agent, Phenix Insurance Co. of Brooklyn.
 Speyer, Walter M., Special Agent, New York Underwriters and Teutonia Ins. Co's.
 Speyer, Walter, General Agent, North German Fire Insurance Co.
 Staniford, F. C., Special Agent, Norwich Union Fire Ins. Society.
 Stovel, C. J., of Baggs & Stovel, General Agents, American, Dutchess, New York and United Firemen's Ins. Co's.
 Stover, Fred R., Special Agent, Scottish Union and National Ins. Co.
 Stoy, Samuel B., Special Agent, London & Lancashire Fire Ins. Co.
 Streeter, Wm. B., Special Agent, Aachen & Munich and Hanover Ins. Co's.
 Summerland, Theo., Special Agent, Liv. & London & Globe Ins. Co.
 Thomas, J. O., Special Agent, Royal Insurance Company.
 Thomas, W. P., Manager, New Zealand Insurance Company.
 Thompson, Chas. R., Special Agent, German-American Ins. Co.

- Thompson, E. R., Special Agent, Atlas Assurance Company.
 Thomson, M. H., Special Agent, Merchants and Pacific Underwriters.
 Thornton, A. W., Special Agent, Imperial and Niagara Ins. Co's.
 Thornton, A. C., Special Agent, Fireman's Fund Insurance Co.
 Tiedemann, T. J. A., General Ag't, Scottish Union & National Ins. Co.
 Tyson, Geo. H., General Agent, German-American, Phoenix, New
 Hampshire and German-Alliance Ins. Co's.
 Tyson, R. J.
 Von Etlinger, A. T., Special Agent, Commercial Union, Alliance
 and Palatine Ins. Co's.
 Vint, James H., Special Agent, London and Northern Assur. Co's.
 Voss, F. G., of Voss, Conrad & Co., Managers, Thuringia Ins. Co.
 Walden, J. B., Special Agent, Royal and Queen Insurance Co's.
 Walsh, Frank E., Special Agent, Milwaukee Mechanics Ins. Co.,
 Los Angeles.
 Ward, C. H., General Agent, German, Freeport.
 Waters, J. N., Special Agent, National and Springfield Ins. Co's.
 Watt, Rolla V., Manager, Royal and Queen Insurance Companies.
 Wayman, W. O., Manager, Merchants and Pacific Underwriters.
 Webber, J. F. R., Special Agent Home F. & M. Ins. Co.
 Weinmann, Louis, Secretary, Fireman's Fund Insurance Co.
 Wellington, Geo. J.
 Wenzelburger, A., Independent Adjuster.
 Whelan, W. D., Special Agent, Fireman's Fund Ins. Co.
 White, F. G., Special Agent, Fireman's Fund Insurance Company.
 Whitmer, A. W., Special Agent, Home F. & M. Insurance Co.
 Whitley, N. B., Special Agent, E. Brown & Sons General Agency.
 Williams, T. H., Special Agent, Sun Ins. Office, Portland, Oregon.
 Wilson, J. Scott, of Mann & Wilson, General Agents, New York
 Underwriters and Teutonia Ins. Co's.
 Wilson, Walter J., Special Agent, Imperial and Niagara Ins. Co's.

HONORARY MEMBERS.

- Bigelow, H. H., San Francisco.
 Chard, Thomas S., Chicago, Illinois.
 Chalmers, W. L., Portland, Oregon.
 Carpenter, E. W., Foxboro, Mass.
 Carey, Jas. A., San Francisco.

Cofran, J. W. G., Chicago, Ill.
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Garniss, Jas. R., San Francisco.
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Houghton, J. F., San Francisco.
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James, N. T., San Francisco.
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Low, Geo. P., San Francisco.
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Neal, Robt. W., San Francisco.
Nichols, C. M., San Francisco.
Porter, F. H., San Francisco.
Stillman, Alfred, San Francisco.
Smith, A. D., Oakland, Cal.
Thompson, E. L., Portland, Oregon.
Wilson, D. B., San Francisco.
Winne, Peter, Denver, Colo.

Two hundred and sixteen active members.
Thirty Honorary Members.

San Francisco Address of the Officers of the Fire Underwriters' Association of the Pacific, for the year 1902.

W. H. Gibbons, President,	- -	411½ California Street.
Whitney Palache, Vice-President,	-	313 California "
Calvert Meade, Secretary and Treasurer,		503 Safe Deposit Building
George W. Dornin, Chairman Executive		
Committee,	- - - -	32 Sansome Street
J. L. Fuller, Chairman Library Committee,		314 California "
George F. Grant, Editor Knapsack,	-	221 Sansome "
Edward Niles, Associate Editor Knapsack,		212 Pine "
Association Library Room,	- -	502 Safe Deposit Building



Fire Underwriters' Association

Of the Pacific

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VICE-PRESIDENT,	- - - - -	WHITNEY PALACHE
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DINNER COMMITTEE

GEORGE W. SPENCER	GEORGE F. GRANT
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CALIFORNIA KNAPSACK

GEORGE F. GRANT, - - -	Editor
EDWARD NILES, - - -	Associate Editor

PROCEEDINGS

of the

TWENTY - SEVENTH ANNUAL MEETING

of the

Fire Underwriters' Association

Of the Pacific



SAN FRANCISCO, CAL., FEBRUARY 17-18, 1903

PRINTED BY ORDER OF THE ASSOCIATION

1903

TWENTY-SEVENTH ANNUAL MEETING

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Fire Underwriters' Association

Of the Pacific

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GEORGE W. SPENCER		GEORGE F. GRANT
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CALIFORNIA KNAPSACK

GEORGE F. GRANT	- -	Editor
EDWARD NILES	- -	Associate Editor



WILLIAM H. GIBBONS

Fire Underwriters' Association

Of the Pacific.

FIRST DAY.

San Francisco, Cal., February 17, 1903.

THE FOLLOWING MEMBERS AND GUESTS WERE PRESENT AT THE ANNUAL
MEETING OF FEBRUARY 17th AND 18th, 1903:

Aaron, C. F.
Andre, A. A.
Andrews, Jesse S.
Bacon, E. H.
Bailey, A. T.
Ball, W. J.
Bangs, Franklin
Bateman, H. W.
Bates, H. L. A.
Benner, H.
Blanchard, H. P.
Brooks, Geo. W.
Brown, Arthur M.
Brown, H. H.
Brush, R. G.
Caine, E. P.
Carlson, R.
Case, Mrs. Clara H.
Chipman, W. F.
Conroy, Thos. J.
Cosgrove, John E.
Crowell, H. W.
Culver, E. V.
Cunningham, J. C.
De Jarnott, W. B.

Delafield, R. H.
De Golia, E. B.
De Lappe, R.
Devlin, F. J.
Dick, B. C.
Dornin, Geo. D.
Dornin, Geo. W.
Dornin, John C.
Dutton, Grayson
Dutton, Wm. J.
Echlin, Chas. C.
Edwards, L. B.
Eitel, Edw. E.
Emmal, J. B. Jr.
Engart, J. E.
Flanagan, J. H.
Flack, E. B.
Folger, Clinton
Folger, Herbert
French, J. S.
Friend, Roger B.
Fuller, J. L.
Gazzam, W. L.
Gibbons, W. H.
Giesy, A. W.

Gilroy, P. F.	Olney, P. de S.
Goodwin, B.	Osborn, R. W.
Gunn, John W.	Overton, Gilbert E.
Gunnison, A. R.	Palache, Whitney
Harrison, J. Hunter	Palmer, Gustave
Henry, C. A.	Paterson, A. R. D.
Heuer, Geo. F.	Price, H. H.
Hewitt, Dixwell	Raymond, W. H.
Hill, Wm. H.	Reed, Jas. S.
Holmes, John M.	Richards, J. H.
Hughes, E. O.	Riley, F. J.
Ives, Stephen D.	Rosenblatt, Geo.
Jacoby, Franz	Rossier, Chas. A.
Jolly, E. J.	Rountree, R. H.
Kellam, F. B.	Russell, G. W.
Kinne, C. Mason	Schively, J. H.
Klein, L. W.	Scott, C. O.
Klinger, W. M.	Sexton, Wm.
Lamey, H. T.	Simmen, S.
Levison, J. B.	Sinclair, Norman
Lichtenberger, H. C.	Sloan, E. L.
Lowden, W. H.	Spencer, Geo. W.
Lyndall, C. P.	Spencer, H. McD.
Mackinder, W. A.	Spears, J. V.
Manning, F. J. H.	Staniford, F. C.
McKercher, M. C.	Stover, Fred R.
Meade, Calvert	Street, C. R.
Mel, Louis	Summerland, Theo.
Mendell, Geo. H. Jr.	Tiedemann, T. J. A.
Mendell, J. M.	Thompson, Toll
Merrill, M. H.	Thomson, M. H.
MacMierson, ———	Thornton, A. C.
Moody, A. E.	Van Ness, T. C.
Morrison, E. C.	Von Etlinger, A. T.
Mott, E. J.	Watt, 'Rolla V.
Muir, A. R.	Wayman, W. O.
Murphy, J. A.	Webber, J. F. R.
Neal, R. W.	Weinmann, Louis
Nichols, Sam H.	Wellington, Geo. J.
O'Brien, Jos. K.	Weston, J. A.

Whelan, Welden D.
White, C. G.
Winterburn, J. C.

Wolf, E. Myron
Zwick, W. F.

The President—Gentlemen of the Association: The hour has arrived for convening of the Twenty-seventh Annual Meeting of the Fire Underwriters' Association of the Pacific. Without any preliminaries whatever we will proceed to the business before us. The calling of the roll may be omitted, unless there is objection, and, hearing none, it is so ordered. In the absence of Secretary Meade, who cannot be with us today, but who will, I hope, be present before the meeting is concluded, I ask Mr. Herbert Folger to act as Secretary pro tem. The Secretary will note the names of the members and guests present. And, that no one may be omitted, I ask that all those present note upon cards their names and addresses to hand to the Secretary.

Mr. Eitel—If it is in order at this time, Mr. President, I will take great pleasure in introducing to the Association Mr. A. T. Bailey, of Denver, a newly elected member of the Association.

(Mr. Bailey was introduced to the Association.)

The President—The first in order of business upon our program is the report of the Secretary and Treasurer. I ask Mr. Folger to read that report.

SECRETARY AND TREASURER'S REPORT.

The following is my report as Secretary and Treasurer for the year ending February 18, 1903.

LIST OF PUBLICATIONS OWNED BY ASSOCIATION.

A Celebrated Case	H. M. Grant	73
Book Losses	Lowden & Sexton	485
Constitution and By-Laws	Association	13
Hops as a Fire Hazard	E. L. Thompson	78
Large Fires in American Cities	Herbert Folger	4

Proper Vice	B. Faymonville	50
Statistics of Fire Underwriting on Pacific Coast	W. H. Lowden	130
Growth of Tariff Associations	Herbert Folger	3
Waiver and Estoppel	Peter Winne	65
Knapsack	Association	320

ACTIVE MEMBERS.

Active members February 21, 1902	217	
Elected during the year	9	226
Resigned	8	
Died	2	10
Total active members February 18, 1903		<u>216</u>

HONORARY MEMBERS.

Honorary members February 21, 1902	30	
Elected during the year	1	31
Died	2	
Address unknown	4	6
Total honorary members February 18, 1903		<u>25</u>
Total active members February 18, 1903		216
Total honorary members February 18, 1903		<u>25</u>
Total membership February 18, 1903		<u>241</u>

PRICES FIXED BY EXECUTIVE COMMITTEE FOR PUBLICATIONS.

Annual Proceedings—10 or less on hand, \$1.00 each and postage 10 cents.				
“ “ Between 10 and 50 . . . . .	.75	“	“	“ 10 “
“ “ Over 50 . . . . .	.50	“	“	“ 10 “
Knapsack	1.00	“	“	“ 15 “
Book Losses . . . . .	.25	“		
Other publications . . . . .	.10	“		
Fire Underwriters' badge	2.00	“		

TWENTY-SEVENTH ANNUAL MEETING

5

FINANCIAL STATEMENT.

RECEIPTS.

Balance in Bank February 21, 1902		\$1,500 77
Received Annual dues	\$1,065 00	
" " Proceedings	46 60	
" Initiation fees	45 00	
" Knapsack	1 00	
" Library literature	1 30	
" Keys	4 75	
" Interest	24 63	
" Badges	6 00	
" Library furniture	40 00	1,234 28
		<hr/>
		\$2,735 05

DISBURSEMENTS.

Paid Typewriting	\$ 5 00	
" Stenographic report	77 60	
" Rent of chairs	4 50	
" Deficit annual dinner	75 70	
" Design for program cover	10 00	
" Menu	37 50	
" Programs, invitations and cards	37 00	
" Letter heads and envelopes	18 50	
" Annual Proceedings	440 00	
" *Security bond for Secretary	17 00	
" Rent	323 25	
" Moving and renovation of library	73 40	
" Keys	5 00	
" *Report Committee on Reinsurance	25 00	
" Subscription to insurance journals	15 00	
" Floral pieces	20 00	
" Engrossing memorials	30 00	
" Printing and stationery and binding	57 35	
" Postage, express, telephone and delivery	67 55	
" Library card system and cards	12 10	
" Framing pictures	10 85	
" Badges	8 75	
" Secretary's Salary	150 00	1,521 05
		<hr/>
		\$1,214 00

Cash on hand :

On deposit with Bank of California	474 66	
" " " San Francisco Savings Union	739 34	
		<hr/>
		\$1,214 00 \$1,214 00

San Francisco, March 2, 1903.

CALVERT MEADE, Secretary-Treasurer.

Audited and found correct—

GEORGE W. DORNIN,

LOUIS WEINMANN.

ANNUAL PROCEEDINGS ON HAND.

For the year 1877-78	44
" " 1879-80	5
" " 1881	35
" " 1882	12
" " 1883-87	0
" " 1888	46
" " 1889-91	0
" " 1892	45
" " 1893	100
" " 1894	14
" " 1895	63
" " 1896	140
" " 1897	101
" " 1898	171
" " 1899	168
" " 1900	12
" " 1901	90
" " 1902	110

Six Fire Badges on hand.

Mr. Folger—This report, Mr. President, has still to be audited and accompanied with vouchers. The Secretary wished me to report that his business calls have been so rigorous that he has not had this done, but before the proceedings are printed, it will be, and filed with the proceedings.

The President—As the report is incomplete in the particulars indicated, what is your pleasure?

Mr. Folger—I move that the report be accepted and referred to the Executive Committee.

Mr. Devlin—I second the motion.

(The motion was put and unanimously prevailed.)

The President—The next in order upon the program is the report of the Executive Committee. I ask the Secretary pro tem to read that report.

EXECUTIVE REPORT.

San Francisco, Cal., February 17, 1903.

GENTLEMEN:—

Your Committee has the pleasure to report that the affairs of the Association are in good shape.

The Secretary and Treasurer has been continuously engaged in handling fire losses for several weeks, and has been unable to present to the Committee the books and vouchers as customary. These will be audited and approved before the Annual Proceedings are printed.

A year ago the Executive Committee expressed the opinion that it is not necessary that a surplus should be created each year, and presented two alternatives: First, that the dues be reduced; and second, that suitable rooms be secured in a modern building, where the library might be kept and where the Secretary might have an office in the adjoining room. The latter proposition was discussed at length at the annual meeting, and the Executive Committee was empowered to secure such rooms. After careful consideration, the Committee fixed upon rooms in the Safe Deposit Building; one being used for the library and the other by the Secretary as his office, for which he contributes his full share of the rent paid. This has resulted in the disappearance of any surplus which might otherwise have been shown for the fiscal year; but the Committee is of the opinion that the change is a marked improvement, and that if the expense proves to be more than our present income can meet, some means should be devised to meet the expense rather than to abandon the plan.

The income during the fiscal year has amounted to \$1,234.28, of which \$1,110 came from initiation fees and dues. It is not likely that our annual income will be much greater, unless some means can be devised to increase the membership materially. As against this, the expenditure during the fiscal year is practically made up as follows:

Rent for rooms	-	-	-	-	-	-	\$323 25
Salary of Secretary	-	-	-	-	-	-	150 00
Floral tributes and memorials to deceased members							50 00
Sundries	-	-	-	-	-	-	124 35
Library	-	-	-	-	-	-	175 35
Annual Proceedings, including dinner deficit, report of Annual Proceedings, etc.							698 10
Total	-	-	-	-	-	-	<hr/> \$1,521 05

The Committee is of the opinion that the expense in connection with the Annual Proceedings last year was higher than the average; but under the most favorable conditions it will be necessary to watch the expenditures to keep within the income. At the end of another year, the Committee will be in a better position to make an intelligent report upon the future financial prospects of the Association.

The Committee has given careful consideration to the question of changing the date of the annual meeting, and has invited expressions of opinion from all the members. The result shows that 115 out of 217 active members, have given replies to the Secretary, of which seventeen favor the first week in January; thirty-six the second week in January; fourteen the third week in January; two the fourth week in January; making a total of sixty-nine in favor of the month of January. Twenty-two favor the third week of February, which is the present rule, and nine some other week in the same month; three vote for March, one each for April, June, September and October, and four each for the third and fourth weeks in December; nine others wish to be recorded with the majority. This leaves the largest number of votes in favor of the second week in January, with the third week in February, or the present time, a close second. The Committee submits the whole matter for discussion at the annual meeting.

The Secretary has been authorized to issue cards for telephone service to each member, showing dues paid as at the first of fiscal year. We trust each member will appreciate this and not confound the same with the regular receipt for dues of the Association.

The wish has been expressed by many of the clerks filling the higher positions in insurance offices in San Francisco, to avail the privileges of the library. The Committee cannot see its way to recommend that full membership be granted to any such, but we suggest, for the consideration of the annual meeting, the propriety of establishing associate memberships as is done in a great many of the Eastern and foreign institutes for the younger men in the business. These are graduated from associate membership into full membership when they become special agents, or rise to managerial positions. Associate membership might be granted for not exceeding \$2.50 per annum, with the privileges of the library. We believe this would encourage interest among the younger men and would give us good material to draw from for the preparation of papers for Annual Proceedings in after years.

Respectfully submitted,

GEO. W. DORNIN,
LOUIS WEINMANN,
HERBERT FOLGER.

Committee.

The President—Gentlemen, you have heard the report of the Executive Committee. What is your pleasure?

Mr. Devlin—I move that it be received and placed on file, and that the matters embraced therein be discussed before the meeting adjourns.

Mr. Lowden—I second the motion.

The motion unanimously carried.

The President—Next in our order of proceedings is the report of the Library Committee. I will ask the chairman of that committee to read the report.

LIBRARY REPORT.

San Francisco, Cal., Feb. 17, 1903.

GENTLEMEN:—

The recommendations contained in the Library Committee's report last year were cheerfully adopted, and the library was moved during the month of March, from the Board room to its present new quarters in the Safe Deposit Building, corner California and Montgomery streets. The rooms, numbers 502 and 503, are on the fifth floor. The double com-

partment elevator runs till 11 o'clock at night every day in the year, excepting holidays and Sundays, and from 9 to 4 on those days.

Librarian Meade, who has his office in the adjoining room, has made good headway in arranging the details of the library. All duplicates have been weeded out. Fire Patrol reports and Fire Department reports from important cities have been collated and missing numbers are being secured as fast as possible. The *Chronicle* Fire Tables are now complete and bound, from 1885 to 1900, except 1892 and 1894.

The California Commissioners' reports are now complete and bound, up to and including 1900. The *Insurance Monitor* is now complete and bound, up to and including 1901. The *Cyclopedia of Insurance* is now complete from 1892 to 1901 inclusive. The *Coast Review* is now complete and bound, up to and including 1901, excepting volume one. Proceedings of the Fire Underwriters' Association of the Northwest is now complete and bound, up to and including 1901. The *Insurance Law Journal* is now complete and bound. The *Insurance Year Book* is now complete, excepting 1900.

There has been no expense incurred during the year for new books. We are glad, however, to give due credit for a number of contributions of valuable books, as follows:

From Boardman & Spencer—

Insurance Law Journal for 1895-1896,

Insurance Year Book for 1897.

From Board of Fire Underwriters—

Chronicle Fire Tables for 1891.

From the Coast Review—

Four copies Coast Review for 1884.

From Geo. W. Dornin—

Insurance Law Journal, bound, vols. for 1894-97-98-99-1900-1901,

Chronicle Fire Tables for 1896-97.

Fire Insurance by States for 1880-1900.

Cyclopedia of Insurance for 1900-1901.

Statutory Requirements for 1899.

Thirty-fifth Annual Meeting National Board Fire Underwriters' Association.

From James R. Garniss--

Kent's Commentaries, 4 vols., 10th edition,

The Student's Encyclopedia, 6 vols.,

Civil Code of California, 2 vols., annotated.

Civil Procedure of California, 2 vols., annotated,
 Political Code of California, 2 vols., annotated,
 Penal Code of California, 1 vol., annotated,
 Phillips on Insurance, 2 vols.,
 Arnold on Insurance, 2 vols.,
 Flanders on Fire Insurance, 1 vol.,
 Angel on Fire and Life Insurance, 1 vol.,
 General Laws of California, 2 vols. Thos. H. Hittell,
 Bouvier Law Dictionary, 2 vols.,
 Dunlops Poley's Insurance, 1 vol.,
 Chitty's Blackstone, 2 vols.,
 Chitty on Contracts, 1 vol.,
 Graham's Practice, vol. 1,
 New Digest of Insurance Decisions, F. & M., 1 vol., Hine &
 Nichols,
 Digest of Fire Insurance, 1 vol., H. A. Littleton & J. S. Bachley,
 Digest of Life Insurance, 1 vol., Sharpstein,
 American Commercial Law, 1 vol., Chamberlain,
 Cowans' Treatise, 1 vol., 4th edition, 1858,
 Woods' California Digest, 1 vol. 2nd edition, 1857-58,
 Ellis on Fire and Life Insurance, 1 vol., Shaw's edition,
 Replies and Decisions of N. Y. Journal of Commerce, 1 vol.,
 Fire Loss Apportionments, 1 vol., W. H. Hare,
 Instructions, Fire Insurance, 1 vol., C. C. Hine,
 Probate Confiscations, 1 vol., Mrs. J. W. Stow,
 Ordinances and Resolutions, 1 vol., San Francisco Co., 1853-54.

From Messrs. Gutte & Frank—

California Insurance Com. Report, 29th Annual Meeting.

From Messrs. Belden & Palache—

Cyclopedia of Insurance, 1899,

Chronicle Fire Tables, 1890-8-9-1900.

From Calvert Meade—

Harris' Technical Fire Insurance Dictionary,

Harris' Dictionary of Insurance Chemistry,

Hine's Policy Forms and Policy Writing.

From R. W. Osborn—

Insurance Year Book, 1895,

Chronicle Fire Tables, 1893,

Insurance Economics, vol. 1, commencing May, 1899.

From Rolla V. Watt—

Insurance Year Book, 1896,
Cal'a Insurance Com. Report, 27th Annual Meeting.

From J. H. Ankele—

San Francisco Fire Patrol Report, 1883-6-8.

From the Fireman's Fund Insurance Co.—

Chronicle Fire Tables, 1887-9-1895,
Cyclopedia of Insurance, 1893-4-5-8-9,
Insurance Year Book, 1879-80-7-92-8-9,
Coast Review, 8 copies for 1884.

Library index cases have been purchased by the librarian and books will be recorded by this system as fast as possible.

It is with gratification that we are able to report an increased interest in the library by members since the change from old to new quarters. About twenty keys to the library rooms have been given out by the librarian. Every member of the Association should have the means at hand necessary to gain access to the library rooms, and it is, therefore, earnestly hoped that an application will be made at once for a key by every member that has not already been supplied.

This report would be incomplete without making due reference to the librarian. All of the detail work of moving and installing the library in its new quarters has devolved upon Mr. Meade. He has done his duty well, without complaint. The thanks of the Committee is therefore most heartily extended to the librarian for his efficient services.

Your Committee having accomplished its mission of placing the library in a more available position than it was in the old quarters is now content to relinquish the trust to the succeeding Committee, with the hope that an increased interest in the library may continue to be manifested by the members from year to year.

J. L. FULLER, Chairman,
P. F. GILROY,
F. B. KELLAM.

The President—Gentlemen, what is your pleasure with regard to the report of the Library Committee? The Chair will entertain a motion.

Mr. Watt—I move that it be received and placed on file.

Mr. Kinne—I second the motion.

The motion prevailed and the report of the Library Committee was ordered placed on file.

The President—The next in order is some correspondence in the possession of the Secretary, which I will ask Mr. Folger to read.

Mr. Folger—I will first read a letter from George F. Grant, addressed to the President of the Association. It reads as follows:

Spokane, Wash., February 14, 1903.

DEAR MR. PRESIDENT:—

Nothing but business would prevent me from being with the boys at the annual meeting. As you know, business is an exacting mistress, and so the loss is mine. I have already sent the copy for as much of the Knapsack as I have written, to your address, and given instructions for whatever else may come to my office to be handed over to you. I know your administration will live in history as "the best ever." It is always thus. And so, with profound regret for the enforced absence, and with kind regards to all of our associates at the meeting and at the banquet, I remain,

As ever, yours,

GEORGE F. GRANT.

There is also a letter from Mr. W. H. Stevens, secretary of the Agricultural Insurance Company, of Watertown, New York, dated January 28, 1903, addressed to the President. It reads:

DEAR SIR:—

I am in receipt of your invitation to attend the twenty-seventh annual meeting of your excellent Association. I had anticipated a trip to the coast this winter, but have been compelled to change my plans, and must therefore forego the unique pleasure of attending the meeting of your Association.

I am, very truly yours,

W. H. STEVENS, Secretary.

The next is a letter from Mr. J. F. Edmonds, resident secretary of the Commercial Union in Denver, dated February 9, 1903, and addressed to the President. It reads:

DEAR SIR:—

I wish to thank you for your kindness in sending me the invitation to your meeting of February 17th and 18th, and I only regret my inability to

be present. Some of these days I am going to meet with you, for I have long had this desire, looking upon your Association as one of the very best of its character. I hope you will put me on your list for a report of the meeting. I have heretofore received these reports by the kindness of the several Presidents, and I would like to have my name enrolled in such a manner that I would receive them indefinitely, for I always read them from title page to finis, and without stopping, so you may realize that I enjoy the proceedings though not present.

Yours very truly,
J. F. EDMONDS.

Here is a letter from Mr. Tattall Paulding, president of the Delaware Insurance Company of Philadelphia, dated January 29, 1903, and addressed to the President. It reads:

DEAR SIR:—

I beg to express my appreciation of your polite invitation to attend the twenty-seventh annual meeting of the Fire Underwriters' Association of the Pacific, to be held on the 17th and 18th of next month. At the present writing I see no hope of being able to avail of your kind invitation to be present at this meeting, but were it in my power to do so, nothing would give me more pleasure. Wishing you a very successful gathering, I remain,

Very truly yours,
TATTALL PAULDING.

The last is a letter from Mr. Sylvester G. Williams, Counsel at Law, Denver, Colorado, dated the 9th instant, and addressed to the President. It reads:

DEAR SIR:—

I beg to acknowledge the invitation to attend the 27th annual meeting of the Fire Underwriters' Association of the Pacific. I would be glad indeed if the conditions were such as to permit of my attendance upon the occasion referred to, as I would enjoy very much meeting with the Association, most of whose members I have an acquaintance with either personally or through correspondence. Trusting that my contribution to the literature of the meeting will prove acceptable, I am,

Yours very truly,
SYLVESTER G. WILLIAMS.

The President—If there is nothing further in the way of business unfinished or otherwise, we will go on with the program. First in order comes the President's Address.

THE PRESIDENT'S ADDRESS.

W. H. GIBBONS.

It is customary with each anniversary of the Association, for the President to undertake the duties of historian, recording in his address matters connected with the year's work of interest to the insurance fraternity, and to offer suggestions for the benefit of the order. With so wide a range to ramble over, brevity seems to be about the only virtue he can strive for.

Disposing of the various subjects in the order of their importance, the question of underwriting results easily comes first. As each of the insurance companies file their annual statements, it is apparent that the year has dealt kindly with them and that at last they are participating in the general prosperity, so long withheld. The sufferings of the past few years have not, however, been without their compensating features. This can be seen in the change of heart in one of our largest and most important States, where in the past the companies have been restricted in every way possible. The policyholders themselves have now discovered their many regulations to be mistakes and are importuning their legislators to repeal laws which have become obnoxious to both insurers and insured.

This should be a lesson to the people of other States and at the same time give the companies an opportunity to prove their sincerity, as well as to show to all that the best regulations are those imposed by the requirements of good business practices.

The many changes in industrial methods and conditions prevent insurance from becoming an exact science, though efforts are now being made to secure a tabulation of the combined experience of the companies, through systems of classifying premiums and losses. Necessarily there must be some guess work in the deductions therefrom, each loss having its own peculiarities. With differences in exposures, in fire departments, in moral hazard and in many other things, all affecting the result, positive accuracy can hardly be hoped for. The coming year will probably see several classification systems adopted in the East. Meanwhile let us hope that the system maintained for the past years on this Coast may soon be ready for use.

It must not be lost sight of that insurance companies are indispensable public institutions. Such being the case, it becomes their duty to make the tax upon the policyholders as light as possible. Up to a short time ago, all that had been done to that end, on this coast, was the maintaining of an inspection bureau and a fire patrol in this city. The past year, however, has seen an extension of the inspection system, to include Los Angeles, Portland, Seattle and Tacoma, the chief inspectors in each place being clothed with authority by the various cities, to compel the correction of such defects as may be discovered.

The good work of the electrical inspection bureau, in Seattle, cannot be passed over without mention. Such a degree of efficiency has this institution achieved, and so popular has it become, that contractors in that city will not accept electrical work until it has been passed upon by the bureau inspector, the inspection fee being gladly paid by the property owner. Spokane is to have the benefit of the same system, which could well be extended to include Montana also, where, during the past twelve months, the insurance companies have paid out nearly \$60,000 for losses caused by defective electric wiring.

Complete success in this work requires a certain amount of educational labor among the policyholders. While they are the greatest beneficiaries from regulations which reduce the fire loss and consequently their insurance premiums, anything that has the appearance of dictation is bitterly resented. Now and then, however, comes a lesson, expensive always, but sometimes amusing as well. Portland had an experience of this sort last year when the insurance people were endeavoring to get the authorities of that city to provide a fire boat for the proper protection of their water-front. Great antagonism from the people was displayed, manifesting itself in the daily papers in long columns of protest, until one fine morning, on the fourth page of a daily, appeared a particularly long and vehement protest, while on the first page was a thrilling account of the burning of the entire water-front. It has been rumored that the objections to a fire boat are less strenuous in Portland.

The growing use of gasoline is one of the questions demanding attention, the offenders being most numerous in Eastern Washington and Oregon. In that section gasoline is used so universally, with so little regard paid to the safeness of the devices used, that steps should be taken to control the habit before the machines they now have grow old enough to cause trouble. In districts where gasoline lighting has been in vogue long enough for the lamps to get out of order, one mishap after another has brought them into disfavor. This I noticed in a small town in Colo-

rado where a gasoline explosion had almost been attended with fatal results. Having occasion to inspect a grocery store where gasoline lamps were kept on sale and used, I asked whether there had ever been any difficulty with them. "No," was the answer, "none to speak of, but when the present stock is sold we shall probably put in electric lights." This reminded me of the puritanical little girl who was presented with a very gay ribbon. Fearing that she would go to hell if she wore it, she promptly gave it to a younger sister.

Last year the insurance business on this Coast was profitable, though there was one sore spot—woodworkers. All of the companies did philanthropic work in providing a "basis of credit" for these institutions, at great expense to themselves and to the woodworkers. This was formerly the case in Minnesota and in other lumber districts until mutual fire insurance companies educated the mill owners into putting up better buildings and providing adequate fire protection. The result being that the stock companies were shut out of what became a very profitable class of business, written at about one-third of our rates and were compelled to pool their issues in what is termed a manufacturers' association, following the course laid out by the mutuals and dividing the liability and profits.

It will be necessary for us to adopt the same plan here sooner or later, for the lumbermen from the middle West are coming our way seeking new fields, and whether our rates are just or unjust, they will not long put up with them. There could be no time better than the present for the adoption of such a plan, as we now have things pretty much our own way, owing to the heavy loss ratio.

Turning to the affairs of the Association, the past year has seen no changes or developments of moment. We have had no meetings during the year, because it seems necessary to secure pledges for attendance and the providing of interesting subjects for discussion, a duty which the conscience of your President would not permit being saddled upon the Vice-president. The labor expended in getting the members together for these intermediate meetings should yield a satisfactory return in stimulating interest in the work of the Association. At the smaller meetings, members would be more willing to express their opinions than at the crowded annual gatherings, where each word uttered is to appear in print. Latent talent should be brought to light this way, and we need new talent, need it sadly, for the Association has had to rely for years upon one set of men for what has been done, and it is an imposition to ask them for further service.

While this plan may arouse those members living near San Francisco, other means must be adopted to reach those at a distance. The present method of fixing the dates of the annual meetings prevents a very large and important body, the special agents from the Northwest, from attending, but as this is a matter to come before us at this session, the merits of any change will be fully presented to you during the discussion.

To assist members, too far from headquarters to secure advice upon knotty problems, it is recommended that small reference libraries be established at such centers where there are branches of the board. With the permission of the executive committee of the board, the books could be placed in charge of their district managers. This would be of benefit, not only to the younger members of the Association, but also to the older ones who may wish to refresh their memories, or to look up necessary authorities.

The past year has shown such an appreciation of the convenience of our present quarters, in that an appropriation for new books would seem to be in order. Acknowledging the conscientious work of the present library committee, it is recommended that their advice be taken in choosing the books to be purchased.

Many inquiries have been made of late, as to when the loss papers, ordered printed some time ago, were to be out. The Secretary informs me that the instructions given to the committee, chosen for that work, were so vague and so difficult of compliance, that the committee was discharged, without being able to accomplish their mission. Responding to the requests of the members, a new committee is asked for, so instructed as to enable them to carry out the wishes and intent of the Association.

Owing to the continuous absence of your President from town, and to the many recent fires, many cherished plans could not be carried out, notably one of placing the papers in the hands of certain members, before the meeting, so that we could have prepared discussion. It is almost impossible to expect anyone to intelligently comment upon the work and research of months, without some opportunity for preparation. One feature has been carried out though, and some degree of pride is taken in it. With the exception of those who kindly prepared a report upon "Insurable Interest," not one of the contributors to this year's program has ever before written for you. It is hoped that the introduction of these new writers means an increased interest on their part, in our welfare.

Concluding, tribute must be paid to those members who have been taken from us by death, J. F. Houghton, Jas. R. Garniss, Thos. J. Duffy,

and Frederick L. Haven. While they were not active in our deliberations during the past few years, each one went to a well earned rest, after successfully accomplishing the work laid out for him in the struggle of life. (Applause.)

The President—I believe it is customary to have a committee appointed to report upon the President's Address and act upon the suggestions contained therein. I think it would be well to include among the duties of such a committee the work of reporting also upon the recommendations contained in the report of the Executive Committee, and the Chair is ready to hear a motion to that effect.

Mr. Folger—I move that such a committee be appointed, Mr. President, to consider both the recommendations of the President's Address and of the report of the Executive Committee.

Mr. Devlin—I second the motion.

Adopted.

The President—The committee will be selected upon convening in afternoon session. We will now proceed with the program. The first paper is entitled "Lumber Mills of the Northwest," and it is by Alexander Field, one of our brand new members. Unfortunately Mr. Field was suddenly called from town, as most all of the contributors have been, and he is therefore not here to meet the questions which we had hoped and planned would be the subject of discussion. In his absence, however, the paper will be read by Mr. de Golía.

LUMBER MILLS OF THE NORTHWEST.

ALEXANDER FIELD.

There is no subject of insurance occurring to me at the present, which presents as many phases of interest to the underwriters as Lumber Mills in the Northwest, particularly that bete noir, the shingle mill of Western Washington.

The diversity of hazard has so perplexed us for the past few years, as to have been the means of bringing about a most carefully prepared and excellent schedule for special rating, together with expert technical inspections upon the part of the Washington Insurance Association.

In view of the fact that all has been done which intelligent rating could accomplish—and still the condition of the lumber and shingle mill business is far from satisfactory—leads us to but one logical conclusion: that we must look for some means to aid schedule rating, in order to place the business upon a more profitable basis.

The effort of this paper will not presume to suggest new methods of reform, but more to emphasize some of the conditions found to exist (but frequently ignored), upon the part of the companies accepting this class of risk.

If we analyze the term "moral hazard," we will find that its application includes a menace due to physical conditions brought about as much by negligence as any deliberate attempt to take advantage of a fire insurance contract.

Probably no one realizes, unless closely associated with lumber mills, the importance of care and good management towards the safeguarding of the property from loss by fire.

The business necessity for successfully operating a shingle or saw mill often entails great risk—now add to it the element of carelessness, and we have a condition of affairs very similar to smoking in a powder magazine.

To point out a few of the dangers often surrounding the profitable operation of these mills, let us take the fact that kilns have not sufficient capacity to handle the output of the mill. The kiln must consequently be forced to high degrees of temperature in order to dry in less than the allotted time, thereby preventing an accumulation of stock around the mill. Kilns are in like manner forced to take advantage of good conditions of the market, or to utilize railroad laws when the same are available. Again, the kiln may be wrongly constructed with a view to ventilation (especially true of old kilns), and will therefore require a greater degree of heat to perform the work within a reasonable time. Often in the desire to secure underweights (which means sweating as much weight out of shingles as possible, in order to secure reduced freight rates), causes a kiln to be superheated. Thus the mill man is frequently confronted with emergencies which compel him to take chances.

The recent saw and shingle mill schedules outline in detail all points necessary to the good construction and protection of such plants, and compliance with these schedule requirements materially increase their safety. But how often are advantages due to protection and construction, neutralized by negligence on the part of the owner? In many instances, which have come under the personal observation of

inspectors in the Northwest, protection has frequently been well installed at a considerable expense apparently to secure a favorable rating, and having received this concession the amplex of the apparatus has served its purpose. In some of the largest and best mills in Washington, the following conditions are found to exist upon a comparatively recent re-inspection of the property. Hose, new as to time of purchase, but rotten and worthless, owing to lack of care; hose without nozzle at hand, hose hung up in out-of-the-way places; barrels for the purpose of containing water, empty (especially upon roofs); pumps badly abused, being used for mill supply, as well as fire service, and with constant wear their efficiency as a fire pump seriously handicapped; hydrants with wrong coupling, so that hose could not be attached, and water-mains exposed to frost. It can be truly said of most property having private protection, that owners need frequent "hauling up" in respect to the care of their equipment; but there are reasons why evidences of neglect are particularly significant about saw and shingle mills.

Now, let us discuss certain observations which are made upon an inspection of property, and from which logical deduction should follow. We find a dry kiln, located near the mill; this is bad of course, because the dry kiln is the most hazardous part of the property, and fire starting at this point would easily be communicated to the mill; next it indicates just sufficient boiler capacity to do the routine work of the mill (for kilns, when there is space to build, are not jammed into the mill except to save steam), therefore any extra demand will overtax boilers. Then again, property so constructed with kiln in close proximity to boilers, not only facilitates overheating, but the condition will accidentally occur if not closely watched. On the other hand, a kiln located a hundred feet or more from the mill is not only difficult to heat over two hundred degrees, or safety point, but requires continual attention to keep up to a required temperature of 185° to 195° . The condition of a kiln having a wooden floor, should be carefully noted, because fine dust and splinters drop from the lumber or shingles to the floor under the steam pipes, and are easily ignited; the small blaze quickly spreads to lumber or shingles carbonized by being subjected to continual heat, and the kiln is soon in a blaze.

Consider some of the points indicative of good care and management, although the mill, through force of circumstances, may not be most advantageously constructed. See that the temperature of the kiln registers below 200° ; and beware of the insurance thermometer, for in one instance a thermometer was so located as not to register the tem-

perature of the kiln within 40° , and the owner laughingly stated, not knowing that an insurance man was talking to him, that the instrument was called an "insurance thermometer." Look for automatic devices for shutting off steam from kiln when temperature becomes too high, or for turning in an alarm to the engine room; for inclined track to the kiln with cable, and weight attached, which when released will run trucks out of the kiln the moment the fire is discovered; for small hose openings in the roof of kiln, so that fire could be fought from the outside without opening the doors, thereby creating a draught. Again, in the mill see that bearings are free from dust; that blower attachments are connected with the machines, indicating that the danger from an accumulation of dust is realized. Another favorable indication of good care is a brick refuse burner, instead of that useless expedient, the slab fire, or if slab fire is used, it should be three hundred feet from the mill, for this lack of precaution recently cost the companies about \$38,000. Accepting these statements as indicative of drawbacks or advantages to the plant, and by observing the conditions carefully, could they not be read as readily as the dial of a clock, or as the barometer by the mariner? Remember, also, that merely reporting faults of management to the Association, with resulting increase in rate, or a temporary fit of precaution on the part of the assured, and a promise to correct, will not suffice to avoid the real danger. Do not be satisfied with these false inducements to again reinstate the risk in your favor, realize that men employed in lumber mills are habitually careless and reckless, and any negligence on the part of the owner is a disease which is contagious among the men.

To sum up a general comparison of the two mills—saw and shingle—each is surrounded by many of the same dangers, but both have conditions peculiar to themselves. The saw mill possesses many safeguards, to give the property much the preference in a choice of the two risks, they are more substantial financially; are constructed with better timber; have railroad facilities; are more expensive to equip and maintain; and are generally in the hands of good business men with competent assistants. They are enabled to install better protection and to build of better construction; still in view of these advantages, they are endangered by a lack of care. Two-thirds of the saw mills have shingle mill adjuncts, cutting anywhere from 50,000 to 200,000 shingles a day, and unless these attachments are kept clean and free from an accumulation of dust, there is but little to choose between the saw and shingle mill. Again, drying lumber has its safeguards, because it is impossible to heat lumber kilns to over 180° without checking the lumber, and therefore

the danger from excessive temperature is greatly reduced. Saw mills are often built near water-ways, and it is therefore necessary to construct them upon piling. Such construction requires boilers to be placed upon timber foundations; in such cases the boiler setting should be carefully looked to; first that there be no vibration which would tend to loosen brickwork, or steam pipes; next, that air space is left between the capping and the fire plate of the boiler, for solid construction between boilers and their foundation will radiate heat until fire is communicated to the woodwork below.

A defect in the construction of saw mills in Washington, which is particularly noticeable to Eastern mill men, is the manner in which buildings are congested. As we have stated, saw mills are more extensive plants than the average shingle mill, requiring planing mills, lumber sheds, sorting sheds, loading decks, platforms, etc., and these are generally so located as to be endangered by a general conflagration. With the conflagration hazard continually in view, it is of the utmost importance that protection be maintained in efficient state, for neglect in this respect will often, as it has in the past, cost the companies a handsome salvage.

So the two classes of mills have their distinctive features, and should not be placed under the general classification of woodworkers, for they are as widely separated from other woodworking plants as a carpenter shop and a piano factory.

In conclusion, permit me to make this assertion: that the conditions surrounding carelessly operated saw and shingle mills are almost identical with those of unprofitable property, for eliminating the element of premeditation; it is *neglect* which creates the imminent danger.

(Applause.)

The President—Are there any comments upon the subject of Mr. Field's paper?

Mr. Folger—Mr. President, the paper has unusual value, for the reason that Mr. Field has been engaged as much as two years in the most important milling district on the Pacific Coast, and he has probably inspected in person a large number of the mills on Puget Sound. The importance of the subject was best presented in the President's Address, in which he pointed out that if we simply correct the evil, which faces us, of loss of the milling business by increasing the average rate, we shall ulti-

mately force the owners of mills by the creation of mutual insurance companies or otherwise to improve their hazards and no longer depend upon us. The President is certainly correct in pointing out that this has been the experience in the East, repeatedly, beginning, I think, with shoe factories and cotton mills, and extending gradually to other hazards. There is no reason to believe that the average rate on shingle mills on Puget Sound two years ago was under $7\frac{1}{2}$ per cent. It rose not long afterwards to something over 9 per cent., and I believe it is now over 11 per cent. That has been brought about by a series of rates which must be nearly four hundred in number, running from $4\frac{1}{2}$ or 5 per cent. per annum for the best constructed and equipped mills, to one mill which I recall was rated at a little under 21 per cent., because it included in it practically all the objections to be found to such a plant. Both the insurers and the insured will agree that a mill rated at 20 per cent. is uninsurable. As a fact, quite a majority of all the companies have declined to insure shingle mills, even those rating fairly low, under the existing conditions. At one time it was reported that no more than twelve companies would heavily insure those mills. The paper is of so practical a character that it should receive our earnest consideration. I regret that Mr. Field should have made it short, probably upon the theory that he did not want to inflict the Association with a long paper. It is so valuable that I move that when the paper is in type, the President be requested to send a proof of it to the Secretary of the Executive Committee of the Board of Fire Underwriters of the Pacific, and offer the suggestion that a large number of copies be printed for the use of the companies on the Pacific Coast and their agents. I make the motion in that form because I do not think the funds of this Association justify any elaborate expenditure for such a purpose, and the funds of the companies cannot be used for any better purpose.

Mr. Delafield—I second the motion.

The motion was thereupon put by the Chair, and adopted.

Mr. Folger—I now move, Mr. President, that the thanks of the Association be extended to Mr. Field for his excellent paper.

The motion was seconded and unanimously passed.

The President—So long as there is no one from the State of Washington here to make mention of the fact, who is acquainted with the matter, I will state to the Association that the laws of the State of Washington provide for the organization of mutual companies, but restrict their business to rates under five per cent. That is to say, they are not allowed to insure any property rated by board companies at over five per cent. At the present session of the Washington Legislature, it is the intention to have that restriction changed, so that they may insure the lumber mills in mutual companies. I think that is only the entering wedge, and unless some steps are taken to organize associations, sooner or later the business will, as I suggested in my address, become profitable after we have lost it.

As it is nearly the noon hour, unless some one desires to make remarks further upon this paper, perhaps it would be well to take an adjournment at this time.

Mr. Folger—Mr. President, in the absence of the Secretary I make a request that all the gentlemen in the room who have not done so, will be kind enough to write their names upon a piece of paper and hand to the Secretary. Those who were here at the opening of the session will not need this request, but some have come in later. We desire, of course, to have a complete record of all present.

The President—Yes. That will be well. I also desire to say that the Dinner Committee would like to have the names of all those who intend to be present at the banquet tomorrow evening handed in as promptly as possible.

A recess was here taken until 2 o'clock p. m.

AFTERNOON SESSION.

The President—The afternoon session of the Association today will be opened by a paper by Mr. Delafield, entitled "Short Rate Cancellations."

SHORT RATE CANCELLATIONS.

R. H. DELAFIELD.

RESOLVED, That the President of this Association appoint a committee of three to establish a mode and make a rule for the application of the same to figure the return premium of a policy to be cancelled short rates; their mode and rule to be reported back to this Association at the earliest moment practicable, and that if it be adopted by this Association that it urge the adoption of the same by all examining boards and companies represented in this Association.

Whether because large amounts of business have not before been written for one assured, that only questions of very small differences have arisen, if any, as between the assured and the companies in the matter of return premiums under short rate cancellations, or because the assured have not had occasion or the knowledge to examine thoroughly into the return premium allowed by the company, I cannot tell. Be that as it may, there is a wide difference of opinion not only amongst managers of insurance companies and special agents, but also the examining departments of district boards, as to how the term of a policy cancelled is to be arrived at in order to find the correct percentage of earned or return premium allowed under the short rate table.

In the past year it has been my business to deal with policies of insurance for very large sums wherein the difference in the term of cancellation from one space of five days to one of five days' longer term, causes a marked difference in the return premium, and as this has happened not once but several times, finding precedents for both the answers arrived at, it strikes me that some uniform mode and rule for determining the term should be established.

There is no doubt in my mind that the present table of short rates is incorrectly worded; that instead of reading "Time policy is to be or has been in force" and beginning 1 day, 2 days, 3 days, etc., it should

read "Time policy has to run," and the table should be reversed, the end of it, or 11 months, being at the top as follows:

If the policy has 30 days, or one month, to run, charge 95%, pay the assured 5%.

Under the present table you are not figuring the return premium, but figuring the earned premium and deducting the amount from the premium making the unearned or return premium.

I wish to take two examples and carry them through this article. On both of the examples I have different answers from boards and from managers.

Policy was written for one year July 28th, 1902, cancelled on September 2nd, 1902.

The answers that I received show that this policy has been in force 1 month and 4 days, 1 month and 5 days, and one month and 6 days.

The other policy was written on May 28th, 1902, for one year, cancelled as of November 13th, 1902.

The answers that I received read 5 months and 15 days, 5 months and 19 days, and 5 months and 20 days.

Taking the answers to the first example, 1 month and 4 days, and 1 month and 5 days, would allow the assured a return of 77%; 1 month and 6 days would be carried forward an extra five days, making it 1 month and 10 days and would allow the assured 74% of the premium returned, or a difference of 3%, which, under a policy with a large premium, means a large loss to the company, or vice versa to the assured.

The same objection can be made to answers which I have received to the second example. Five months and 15 days would allow the assured a return premium of 40% of the premium; 5 months and 19 days and 5 months and 20 days would carry the term of the policy over to 6 months, allowing the assured 34% of the premium, or a difference of 6%.

Returning to the first example, both of the boards in British Columbia, viz.: Victoria and Vancouver, state that the policy beginning on July 28th, and July having 31 days, three days must be taken in that month; August having 31 days, 31 days must be taken, and the policy being cancelled on the second of September, two days must be taken, making a total of thirty-six days or one month and six days. They further say that the days of the month in which the policy is written must be counted to the end of the month, then the days in the even number of months, then the number of days in the month to the day upon which the policy is cancelled. This makes an actual short rate table of 365 days to the year, contradicting their own short rate table, which only calls for 360 days.

Some managers say that the time must be counted one month from July 28th to August 28th, from August 28th to August 31st three days, and from September 1st to September 2nd two days, making a total of thirty-five days, or one month and five days.

Many companies' policies have on the edge of the cancellation sheet, printed on the policy form, a mode of obtaining the term the policy either has been in force or has to run, by subtraction, as follows:

			Year	Month	Day
Date of expiration of policy	-	-	_____	_____	_____
Date of cancellation of policy	-	-	_____	_____	_____
or					
Date of cancellation of policy	-	-	_____	_____	_____
Date of policy	-	-	_____	_____	_____

In handling the first example by this method, if you take the expiration and subtract from it the date of cancellation, which I claim is the correct method of figuring the return premium, we find that the policy has to run ten months and twenty-six days, upon which the return premium has to be paid, if deducted from the term of the policy, viz.: twelve months, gives an answer that the policy has been in force one month and four days.

If the date of cancellation is taken and the date of the policy subtracted from that, we obtain exactly the same result, one month and four days.

The second example was chosen particularly because it covers months which, in our calendar, contain thirty-one days. In applying the British Columbia board's rule the policy has been in force five months and nineteen days; New York underwriters say the policy has been in force five months and twenty days; some managers make the policy in force five months and sixteen days, under all of which answers a charge for six months' earned premium would be made on the policy premium.

By the method of subtraction mentioned above, and in use by the Salt Lake and Butte boards and partially by the San Francisco board, as well as by many companies, as proven by the form printed on their cancellation notices, and by a great many specials, it would only make the term five months and fifteen days.

The city department of the San Francisco board make use of the subtraction method and make the term of our first policy 1 month and 4 days. The country department decides that if the current month has

thirty-one days in it the number of days must be counted and make the term of our first policy 1 month, 6 days. Note-tellers in banking establishments also obtain this latter result.

September 2nd is the 245th day of the year, July 28th is the 209th. Subtracting the one from the other the result is thirty-six days.

While we have obtained the exact number of days, we are prevented from charging for them because our policy reads "for the term of one year from," etc., or perhaps, "for the term of 12 months from," etc., or, if written short term, "for the term of ——— months from," etc., in all cases our common denominator is 12ths or months. While it is true that some months have more days than others, the short rate table in use neither admits it nor allows for it, reading as it does, 30 days 1 month, 60 days 2 months, 90 days three months, etc.

Since it has come down to a point when insurance companies are inquiring the hour of the writing of their own policies, whether of standard or mean time, I take it that the assured has a right to request that the companies get together and establish a mode and apply a rule for its application on the question of the term of cancelled policies.

I also think that it will simplify matters for special agents on the road, for the examiners in local and main Board offices, and for the endorsement or cancellation clerk in any insurance company.

For these reasons, gentlemen, I submit the resolution offered at the beginning of this article.

[Applause.]

The President—In order to bring up discussion upon this resolution, I would like to hear a second to the resolution, if any member desires to second it.

Mr. Sexton—I will second it, Mr. President, and I think it would be well enough to have the resolution portion of the matter read again.

The President—That will be done.

(The Resolution read again.)

The President—Now we would like to hear from the members of the Association upon the question.

Mr. Sexton—This Association contains a great deal of talent, and when it is away from the office—that is, we members, we are the office and everything connected therewith, as we have to be—that is note-

worthy; but I think that we have no legislative authority by which we can change the mode of the Board of Underwriters of dealing with this question, the mode of the men who manage us when we are at home, by saying how many days shall constitute a month, and at which end of the year thirty days shall be counted, and at which end of the year thirty-five days shall be counted. Whether we shall give the five odd days to the insured, or keep it for the company, is a question that I am a little afraid we have no authority to deal with, and, while I seconded the motion to refer it to the Association, I am not in favor of the matter.

Mr. Lowden—The resolution does not read as though we had authority. It simply says that this Association recommend or urge the adoption of the plan therein suggested.

Mr. Sexton—We had an experience on the mortgage clause in this connection. We submitted it to a manager East, but he said "Yes, you gentlemen are right, but we make a great deal of money out of this, and we prefer to have it as it was before." Do you remember that fact, Mr. Lowden?

Mr. Lowden—Yes.

Mr. Sexton.—What is the thing we can do to get the most business? And how to discourage rebating and how to discourage other evils, and such questions as that, are the ones which should interest us most. I am afraid of anything like this.

The President—As I understand from this paper, the board has no set rule. I understood Mr. Delafield to say that one department of the Board cancels policies one way, and another department cancels them another way. Am I not right?

Mr. Delafield—Every Board has practically a different method of figuring the term of the policy. I find special agents on the road that I put the question to, and managers themselves, figure it in utterly different manners, and get different results. The idea here is simply to get a uniform method and a uniform term adopted by the boards, if they are

willing to adopt it. It does not suggest any particular method, but simply uniformity of method.

Mr. Palache—I do not think that any action on this resolution implies that we claim any such powers as have been suggested. It is simply calling attention to a matter that is not now treated in a given way, and suggesting that some definite treatment should be had upon the subject, and it seems to me that it is quite in order to pass such a resolution and call the attention of the proper authorities to it, and if then they do not chose to act on it, we cannot force them to. I do not see, however, any reason why we should not make a suggestion.

Mr. Kinne—It seems to me, Mr. President, that there is no question but what we have a rule in this connection, for a rule is referred to in the conditions of all policies, stating that a policy shall be cancelled at the request of the company under the usual short rates, and the Board of Underwriters here, and all other boards, formulate a rule. The interpretation of that rule, of course, is left to the discretion of different companies, also to the different boards in handling matters that pass through them, for the purpose of finding whether the policy has been written properly under the short rate table for a short term, or whether it has been cancelled properly on a yearly policy when it has been cancelled before the policy had expired. We can all appreciate the fact that the days are given as Mr. Delafield has stated—thirty days and sixty days and ninety days for one, two and three months. But it seems to me that the matter as stated by Mr. Delafield is of very trivial importance ordinarily, though when you come to handle large amounts of premiums, of course, it can amount to quite a sum. After nearly thirty-seven years' experience, I think that, so far as my knowledge goes, there has been no difficulty in arriving at the fact that thirty days is considered as a month, sixty days as two months, and ninety days as three months; and that if it so happens that it covered the month of February with only twenty-eight days, it is yet called a month of thirty days, while if it covered July and August, each with thirty-one days, each one is called a month of thirty days nevertheless. It is simply to get at the idea. If it

passed from the 28th day of June to 28th day of August, it would be two months, although it might be sixty-one days that intervened. Or, say from the middle of July to the middle of September, which would be two months, sixty-two days would have intervened, and yet it would be counted as just two months. Whether it is necessary to bring a matter of this kind to the attention of the Board of Underwriters, when possibly they have other more practical things to worry about, is an open question in my mind. I incline to the belief that if a committee were appointed, and they took some of their more or less valuable time and formulated a suggestion to the Board to be handed to the Executive Committee—that is the only way to reach the case—that probably, if it did not die a lingering death, it would be pigeoned-holed or go to sleep. I do not think there is any great earthquake going to happen from these little matters that have gone along in the way they have for so many years. I hardly think it is worthy of taking the time and trouble of going into a matter of this kind. I certainly am not going to complain if some other company tries to get the business of the L. & L. & G. by knocking off a day, or adding one, as the case may be, in writing a policy or cancelling a policy. If they want to do it that way there will be no friction about it. Those things, like the grand principle of insurance itself, come out in the law of general averages, and will even up somehow, and if somebody gets the best of us possibly we may get the best of them next week.

The President—I think that perhaps Mr. Delafield's idea has a great deal more to it than appears on the surface. Mr. Delafield has recently had a rather extended experience with large insurance, and these peculiarities are very confusing to policyholders. At best, this is but a suggestion, and where there are differences of opinion in the same Board, as I understand there are, that is to say, the country department of this Board in San Francisco, where the rule of the cancellation is one way and the city department will rule another way, it seems to me we could make a recommendation, calling the Executive Committee's attention to the fact that there is a discrepancy which should be looked into.

Mr. Kinne—Perhaps I was too strong in my statement. I think the idea is a good one to endeavor to make a uniform plan carried out by all that have to pass upon these matters. But I know how a great many of the Board of Underwriters feel in the way of having suggestions come from a body as intelligent as ourselves, and which has done such good work as it has. This communication of Mr. Delafield's is worthy of consideration; there is no question about that. We have all listened to it with interest. And if that communication, or something in the same line, perhaps not quite so elaborate, but giving the examples there stated, were sent direct by him, or by any company that feels interested in the matter, to Mr. Stillman, the Secretary of the Board, it would be at once referred to the Executive Committee, and then by personal conversation with Mr. Stillman and the Executive Board, if the necessity seemed to arise in their minds for some more plainly stated rules, where there could be a question about a difference in the applying of it, I have no doubt they would give it serious consideration, and no doubt make a change that would carry out the idea suggested. But I do not believe that it is the best way to get at a matter of this kind by having this Association appoint a committee, receive a report, and refer it then to the Board of Underwriters, which makes the rules for us all. If Mr. Delafield would communicate direct with them, no doubt some good would come out of it.

Mr. George D. Dornin—Mr. President, I have listened with a good deal of surprise to the extended remarks of our esteemed friends, Mr. Sexton and Colonel Kinne, and that they have agreed. It is a surprise to me that they are ready to subordinate this Association to the whims of the so-called managers. I believe there is a great deal of merit in Mr. Delafield's suggestion that a matter of this kind, which possibly in his territory, his jurisdiction, has a far-reaching influence, should be put into the hands of a committee, carefully digested, and then it will be up to the Board of Fire Underwriters, if that is the proper tribunal, or the managers as a body, to adopt or reject as they think fit. I think I can see the motive in Mr. Delafield's proposition, in that he comes in contact

largely with foreign offices doing business in British Columbia and in Alaska, and reporting to England and Germany, and possibly their practices come before some high "clerk" in a London office, and that brings about the review of their action, and possibly criticism; that was my experience when I had an English company. As I understand, Mr. Delafield's desire is that some uniform action be had in matters frequently of small detail and yet of possible great magnitude, in correspondence with foreign offices. Happily I represent some American companies, and as long as I can make some money for them, it does not make any particular difference how it is done; as to the minor details and clerical work, they have very little criticism to make. As I understand it, Mr. Delafield's proposition embraces the question only whether cancellations shall be governed by the calendar month or by so many days, reckoning thirty days as a month. Now, it is a small matter, to refer that to a proper committee, of which Mr. Delafield should be made the chairman, to do all the work, and then let their report come in, and pass it in to the ex-officio manager of the Board of Underwriters, through him to the governing body, the Executive Committee, who, after a couple of hours, as I understand, of digestion, pass it back to the Secretary, Mr. Stillman, and ask him what he thinks about it—and Mr. Lowden suggests that it then go to the committee on rules and rates, and possibly they pass it up to the committee on deviations. [Laughter.] I think, Mr. President, that in all seriousness, any paper of the kind, coming carefully prepared from the hands of the writer, as this has been, and read before this Association, should be considered and not tabled and made a matter of no particular interest.

The President—Are there any further remarks? If you are ready for the question, as it has been duly seconded, it will be put.

The resolution was unanimously adopted.

The President—The committee will be named later, in connection with the committee on President's Address and report of the Executive Committee, which I omitted at the convening this afternoon. The

next paper upon the program is entitled "The Five Per Cent. Exemption Clause as a Rider on the Co-insurance Clause," by Mr. C. O. Scott. I asked Mr. Scott to write a paper upon this subject, because the clause had formerly been in use in Eastern districts, and has recently been eliminated from the policy forms by the various boards, and I presume that, as they have found reasons for taking this action, in time the question will come up before our board here.

THE FIVE PER CENT. EXEMPTION CLAUSE AS A RIDER ON THE CO-INSURANCE CLAUSE.

C. O. SCOTT.

While it is probably true that in the experience of most of our members, adjustments involving the application of the five per cent. exemption clause are comparatively rare, yet if the use of this clause continues to grow it may not be long before it will not be an uncommon occurrence.

The co-insurance clause seems to have been in general use in the United States for a good many years, but the five per cent. exemption clause, so-called, which has been tacked on as a rider, and reading as follows:—"This clause, however, shall not apply to small losses which do not exceed five per cent. of the insurance,"—seems to have been in use on the Pacific Coast for a comparatively few years. This clause I understand was in use in the East, or at least in the Middle West, under the jurisdiction of the Western Union for a number of years, but was prohibited some years ago, and was annulled in the Mountain territory in 1901.

From a Coast manager, who has the Mountain territory in his department, I understand that one reason, at least, why the use of the five per cent. exemption clause was prohibited by the Western Union was from the fact that the companies found from their experience that its use had the effect of increasing the amount of small claims. It probably struck the assured in many cases that if the companies were willing to insert such a clause in their contracts that they were fully prepared to expect a claim of at least five per cent., and they promptly proceeded to make it.

The father of this clause was doubtless some bright broker who saw a chance to secure a large line of business by its use, and as the broker

probably controlled a large volume of business, he succeeded in getting the companies to pass it. The use of such a clause spreads rapidly until it soon becomes practically impossible or impolitic for any manager to object to its use.

In discussing this matter with a member of the Association the other day, he told me that he had occasion some time ago to get up a policy form for a large plant and that he inserted the five per cent. clause; "not," said he, "that I approve of it, but if I had left it out some competitor would doubtless discover it, and we might lose the business."

It would seem that the only effectual remedy would be by action of the Board of Underwriters.

Speaking of brokers, it occurs to me to say that they are largely responsible for a number of clauses, of more than doubtful value to the companies, that have come into general use in recent years, and which the underwriter of thirty years ago would have considered as highly incendiary, and the bright broker of today thinks merely are up-to-date additions to the insurance contract, made necessary by the constant evolution going on in business conditions. The broker referred to probably used as his principal argument in favor of the use of the five per cent. exemption clause, that it would save the time and expense necessary in taking an inventory of stock in small losses—and, if it were really necessary to take a complete inventory to determine the stock on hand in the average large mercantile house, the argument would doubtless be a valid one. But as a matter of fact, the co-insurance clause is, as a rule, used only on large mercantile lines, where the books are kept in such a systematic manner that the amount of stock can be determined with at least fair accuracy in a day or so. I expect that many adjusters will dispute this, but I think it will be found that in many cases, particularly where an inventory has been taken not long before the loss, that an estimate of stock can be arrived at sufficiently accurate for the purpose, within a few hours. Many small losses, particularly smoke damage claims, are settled on a percentage basis, and in such cases, no matter how small the percentage, it is necessary to arrive at an estimate of the stock on hand, which seems to be an additional reason why the five per cent. clause is unnecessary and unwise.

The argument in favor of the use of the five per cent. exemption clause—saving the time and expense in taking inventory, would appear to be the only one of any benefit to the companies, and I think it has not a sound basis in fact.

The aggregate amount of small losses reported by the San Francisco insurance press month by month is considerable, and although the use of this clause may not cut much figure as yet, its use is growing, and I believe the action of the Western Union in abolishing its use could be followed to good advantage by the Board of Fire Underwriters of the Pacific.

[Applause].

The President—Are there any comments upon the subject of Mr. Scott's paper? Is there any member who can throw any light upon the subject? If not, we will proceed with the program. Before commencing with the next number, however, I will say that, owing to the unfortunate absence of Secretary Meade, it was not discovered until late yesterday that no provision had been made for printing the programs, and in the haste of getting them up, a paper upon the "Use and Abuse of Sprinkling Equipments," by Mr. Arthur M. Brown, was omitted from the program. This paper will be read tomorrow morning, and I hope there will be a good many here, so that we can get up an argument on the question, for I think there will be an excellent opportunity, if I am correctly advised, as to the views of some of the members upon the question. The next paper is entitled "Subrogation," and it is by Mr. Sylvester G. Williams. Mr. Williams is unable to be here, and the paper will be read by Mr. Bates. I will say, for the benefit of the members present, that Mr. Williams is a prominent insurance attorney of Denver, Colorado, and also an adjuster of a good many years' experience, so that he writes in a two-fold capacity, making the paper probably more interesting and certainly more instructive than had it been written by either an adjuster or an attorney.

SUBROGATION.

SYLVESTER G. WILLIAMS.

From the economic point of view, subrogation may be treated as a by-product of the insurance business. It is not alone in the industrial pursuits, or the manufacturing industries, or in the kitchen that the element of waste cuts an important figure. It enters into all lines of business, even into professional and semi-professional callings, and in fire insurance

the fire waste is a spectre whose ravages bring dismay and disheartenment oftines to the keenest and most provident management.

It is the business of fire insurance companies to pay fire losses. This may account for the fact that there exists that certain improvidence which characterizes not infrequently the methods and dealings of underwriters in the settlement and disposition of fire claims. And while, in one way or another, the reduction of the fire waste occupies the attention of some of the wise and far-seeing minds of the profession, the enlargement of the premium income and the reduction of the expense ratio overshadow other considerations. This is true to such a degree as to reflect upon the loss department a positive increase, which, in the net results of the business, it is fair to say, may offset much if not all of the saving which is realized upon the expense account in connection with the adjustment and settlement of claims.

What might be saved and utilized out of the wreck of a conflagration, or of an ordinary every-day fire, may be realized in the observations of every competent insurance adjuster. What is not saved or utilized therefrom for the benefit of the underwriter affords the household theme of many an observing neighbor where a property owner has pocketed his insurance before the removal of the debris or the unveiling of the truth with respect to the property involved has disclosed the value of the salvage or the real value of the property itself as it stood before the fire. A twenty-five cent telegram to a local agent has saved the expense of many an investigation into the merits of a loss by a competent but "expensive" adjuster, and cost many times that expense in the payment of the resulting claim.

But it is the province of the writer to discourse not upon the reduction of the fire waste in the adjustment of claims, but to call attention to one of the resulting waste products of the fire element to which the due consideration of underwriters has not been given, but which if properly attended to would prove a material resource upon which reliance might be placed to recoup many losses which the contract of insurance imposes primarily upon the underwriter, but which the law imposes primarily upon another party.

Subrogation, as applied to insurance, is that right which the law gives to the underwriter to reclaim from a third party the insurance which has been paid in case of a loss for which such third party is primarily liable. The doctrine of subrogation has its foundation in that equitable adjustment which the law makes of the rights and obligations of parties upon whom responsibility rests for the payment of a single

claim as to which two or more parties may be bound independently. Where there is a single demand and two or more parties are independently obligated to pay it, the one making such payment may have recourse against the other because of a superior right of exemption. The one may be bound primarily—the other secondarily. Thus the one may be bound by reason of his wrongdoing or tortious act, the other by reason of a contract made with the injured party. Where an indemnity is to be paid, if he who is bound only by a secondary obligation pays the demand, he succeeds to the right which the injured party has against the one who is primarily bound.

CLASSIFICATION.

In fire insurance a classification of subrogation claims may be made as follows:

First—Where a right of action accrues to the assured because of the wrongful act of a third party—as where such third party intentionally or negligently causes the destruction of the property.

Second—Where the cause of action accrues by virtue of some positive, that is, statutory law—as where the law imposes liability absolutely upon a railroad company for fire which it sets out, whether through negligence or mere accident.

Third—Where by law a third party stands as an insurer of the property by virtue of his relation thereto independent of any contractual obligation—as where a common carrier in the transportation of freight becomes an insurer of the cargo in transit.

Fourth—Where by some contract a third party has a primary liability to the person insured which is paramount to the obligation of the underwriter—as in the case of a mortgage or other indebtedness where the underwriter insures the mortgagee or creditor, and the indebtedness is an obligation as to which the insurance is but secondary.

The most common instances of subrogation under fire policies are, first, where the underwriter, by paying the insurance, succeeds to the claim of the assured against the party who is liable for having set out the fire, or caused or contributed to the destruction of the property; and, second, where the underwriter, by reason of an obligation to the mortgagee or other creditor, in the absence of liability to the mortgagor or debtor, succeeds to the rights of the mortgagee or creditor under the securities held or obligations existing against the debtor.

FIRES NEGLIGENTLY SET OUT.

The chief instances of the former class are found in claims against railroad companies from the sparks of whose locomotives fires are set out, but the same principle will apply to the case of any third party by whose act or neglect a liability is imposed by law for the burning of the property of another person.

While in many of its features the railroad liability for fires presents a distinct chapter in the law upon this subject, there is in principle no distinction between the case of a railroad company and any other wrongdoer, or tortfeasor, as he is designated in the law. A person who negligently maintains a defective flue in his dwelling whence a fire is set out which destroys his neighbor's property, or a manufacturer who operates his factory in a negligent manner with respect to fire and thereby causes the destruction of the property of another, or, in general, any person who fails in the use of fire upon his premises to exercise such care and diligence as should ordinarily be observed, becomes liable to third parties whose property is injured or destroyed by reason of his negligence. Instances might be multiplied. Thus, where a railroad company ran its engine over a line of hose which was stretched for use in the suppression of a fire burning in the vicinity and cut off the water supply with consequent loss to the property of others, it was held liable. And any one who keeps gunpowder or other explosives contrary to law and in a manner endangering the property of others, and through an explosion fire is set out, is liable for the consequences. It is the duty of a person upon whose premises fire originates to use reasonable means to prevent its spread. And if through his negligence the fire escapes and destroys the property of others, he becomes liable therefor. And presumably a municipal corporation would be liable for the indifference and carelessness of its fire department in the handling of a fire, if thereby fire is caused to spread and destroy property which would not have been destroyed except for such negligence. And a water company whose duty it is to furnish an adequate water supply is bound so to do; and if it neglects or fails in its duty in that respect it is liable for the results. And so an electric light company may be liable for fires caused by defective wiring or other negligence in the operating of its plant.

In all these instances negligence is the gist of the cause of action. This involves the existence and intervention of human agency, for a legal liability can be predicated only upon the act of some human agency.

Fire itself violates no moral law; it rests under no moral or legal responsibility; it is answerable to no court of justice; it proceeds in

obedience to natural laws; it is a destructive but not a moral agent; it is liable for nothing. But it is an agent subject to direction and restriction and stimulation through human agency and intervention.

The intervention of human agency alone gives rise to moral responsibility, and thence to legal liability. Causes of action are predicated only on human conduct. But it matters not in what stage in the progress of the fire human agency intervenes to the direction, control or diversion of the natural processes or progress of combustion, the same responsibility exists for such intervention, the same legal liability arises for the result. An incipient fire may be set out by human agency; thereafter human agency may supply fuel to the flames; human agency may change the course of its progress, or cause it to escape beyond natural or artificial barriers which otherwise would have stayed its course. There is no difference in the nature or degree of responsibility or liability which attaches from the intervention of human agency with the operation of natural laws so far as the stage or point of progress is concerned at which such agent intervenes, or at which results or changes or effects are produced as the immediate consequence of human action.

Negligence is the disregard of duty by act of omission or commission on the part of a moral agent. The inquiry as to the existence of negligence or moral responsibility or legal liability—of a cause of action—is not restricted to the beginning or origin of a fire. Fire may be cast out on the right of way of a railroad company, recklessly by its employes, and through the most defective construction of its engines, and it may die out harmlessly where it fell. On the other hand it may be set out by sheer accident through no fault of the defendant; but if the environments are such as to cause it to spread, as by the accumulation of combustible materials upon its right of way, and such environments are created by the defendant, the defendant being responsible for those environments becomes the moral agency responsible for the results of the fire so spread. If the fire be raging on defendant's right of way or premises, though innocently set out, but by the negligent act of the defendant it is cast forth upon and destroys the property of another, the defendant becomes by the latter act the moral agency by which the result is caused.

It accordingly follows that in seeking for the proximate cause in establishing a cause of action, we must look to the moral agency of which the physical or natural causes or processes in operation afford but the vehicle of conveyance.

What *moral* agency has been in operation or intervened to initiate,

control, divert or stimulate the action of the elements? To what moral agency and to what acts of such agent is the situation, the environments and the resulting injury attributable? For all purposes of legal redress where negligence is charged, "proximate cause" must be distinguished from physical and natural cause as well as from the final or ultimate or original cause. We are dealing with effects produced through moral causes, with the consequences of human conduct. What conduct of the defendant has brought about these consequences? If the defendant has done that which under the circumstances he ought not to have done, or has omitted to do that which he ought to have done, and from his conduct injury has resulted, his conduct is for purposes of legal redress the "proximate cause" of the injury. With the physical or natural causes in operation, or immediately producing the loss, the law is concerned only in determining the moral agency responsible therefor.

Liability may attach in consequence of the environments, and to him who created the environments as well as to him who set out the fire. A fire started by children is burning upon my premises. A stream of water flows between me and my neighbor. Over this the fire would not pass. I catch up the burning material and toss the fire into the air and it is carried across the water upon my neighbor's property. I am liable for the loss. The creator of environments, whereby an otherwise harmless fire is converted into a besom of destruction, is a moral agency. A fire though negligently started may likewise be harmless until taken up by some other agency and made destructive. Dealing as we must in all questions involving legal liability with the acts of moral agents only, we must see that the responsibility for negligence will follow from the negligent act along the lines of natural progress to all physical and natural consequences, taking in all natural increments of increase until we reach that point where it is manifest that the initial force is spent and the fire has become harmless. From this point further progress of the destructive element may become due to a new agency taking it up, an agency which in itself is a moral force, or back of which resides a moral being responsible as the creator of the new condition, environment or cause, by which the spent force is re-animated or the progress of the fire renewed. In the sequence of acts creating legal liability only, the acts of responsible human beings can be treated as intervening causes. It matters not what the incipient origin of the fire may have been if the plaintiff's property was destroyed by the interposing negligent act of the defendant. If, through environments negligently or wrongfully created and maintained by the defendant, a spark from an innocent

source be converted into a conflagration and consequent disaster it matters not from what innocent source the spark may have fallen. Neither the spark nor the fire is the moral agent.

If properly confined, a blazing fire is of no more importance in the causation of legal liability than so much latent heat or the potential energy confined in an unlighted match. The setting into activity of the potential energy confined in a match by striking it is not different in the chain of causation from the casting out of a burning brand from an already raging fire into a new field of activity. The introduction of the fire from the natural and limited field of activity into a new field is an original act which is at the inception of the fire in the new area and introduces a new source of liability.

FIRES SET OUT BY RAILROAD COMPANIES.

In the case of railroad companies a peculiar responsibility rests because in the operation of their roads, carrying fire as they do from place to place into the heart of communities, and where oftentimes there is great exposure to inflammable structures and materials they are more likely than any other human agency to be a frequent cause of the destruction of the property of others. For this reason the law defining their liability has been enforced with a great deal of strictness, sometimes approaching severity.

In many instances it is difficult to trace by positive evidence to a source of ultimate responsibility the acts through which a railroad fire is set out. The locomotive drawing its cargo of freight or passengers comes from a distance and passes rapidly and is gone. The fire is set out perhaps without a witness. Circumstantial evidence alone is available to determine that it was of railroad origin. As to proving any immediate act of negligence either in the construction of the engine or its handling or management, it is usually impracticable. Hence, under the law, resort may be had to circumstantial evidence, and often times a comparatively slight amount of evidence will be received to sustain the proof of the railroad origin of the fire.

As to the proof of negligence, the rule has been observed in many jurisdictions that if the railroad origin of the fire be established, negligence will be presumed and the burden is shifted upon the railroad company to rebut this presumption and to show by evidence that it has not been guilty of negligence.

In other jurisdictions special statutes have been enacted making the railroad company liable (absolutely and without respect to any negli-

gence upon its part) for fires caused or set out in the operation of its road. Such a statute exists in Colorado and in some other States. Under such a law it is not necessary to prove negligence at all. Neither can the railroad company exempt itself from liability by proving the utmost care or diligence upon its part. The mere fact that it has set out a fire renders it liable under the statute.

The question has arisen as to whether or not such a statute can be invoked in favor of insurance companies to whom by subrogation the cause of action has descended. This was a mooted question in the State of Colorado until the recent case of *The Crissey & Fowler Lumber Company* against the *Denver & Rio Grande Railroad Company* was decided by the Colorado Court of Appeals. It was held in that case that the right of recovery under the statute is not limited as was contended by the railroad company to the property owner alone, but extends to an insurance company which has paid a loss and taken subrogation. So that as the law stands today in the State of Colorado an insurance company, having taken subrogation under its policy, may recover it if it can prove by circumstantial evidence that the fire was of railroad origin.

THE ORIGIN OF FIRES.

With reference to this liability of a third party, and in connection with the matter of subrogation under policies of fire insurance, the question of the origin of fires assumes a special importance. Careful inquiry into the cause of the fire is one which should always be made in the investigation of a fire claim, if for no other purpose than to ascertain whether any third person is liable therefor.

Where such liability is reasonably suspected the investigation is of so much importance that it should not be conducted with indifference or by one who is not thoroughly competent to weigh and determine the value, character and sufficiency of the evidence involved or demanded to substantiate the claim. Often times what would seem to be an insignificant or trivial circumstance may be of the utmost importance as evidence in establishing a cause of action; while on the other hand that which seems of significance may be valueless when subjected to the test of the law of evidence. One who is not acquainted with the actual conduct of a suit or with the rules of evidence, or who does not know what is necessary or important in the way of evidence for the purpose in hand, should approach such an inquiry with the greatest caution. It is far better in any case where there is reason to believe that a liability exists to which subrogation may attach, to employ at the very outset the services of some

one thoroughly versed in such matters and who knows how to so connect facts and circumstances as to weave them into a chain of evidence such as the nature of the case demands.

The necessity of *prompt* investigation cannot be overestimated. The traces of fire are soon scattered. Circumstances which are apparent at the outset are soon obliterated. Witnesses disappear or their mouths are closed. In actual practice, in case of litigation, the trial is often in point of time remote from the date of the occurrence and frequently at a place removed from the scene of the fire. Evidence should be gathered while it is fresh, and the evidence of the origin of the fire should be preserved and stamped so indelibly upon the minds of living witnesses as to make it impossible for them to forget.

HOW SUBROGATION MAY BE AFFECTED BY THE ACTS OF THE ASSURED.

It must be clearly kept in mind that the right of redress against a wrongdoer is not one which belongs primarily to the insurance company. The law does not recognize that by the wrongful act the insurance company is injured. It gives to the latter no immediate right of action. The underwriter comes into its right of action, if at all, only by the subrogation which is a species of assignment from the party injured.

It follows from this that if the assured under a policy of insurance has no right of action against the wrongdoer, or has surrendered his right of action, or has done any act by which such right is destroyed, the insurance company is powerless to enforce a claim against the wrongdoer.

Thus, if, after a loss has occurred, the party insured makes a settlement with the railroad company or other tortfeasor, the right of subrogation is cut off. It is well recognized, therefore, in the law that such an act on the part of the person insured will defeat his right of recovery under his policy. The right of subrogation is a material element in the insurance contract. There can be but one indemnity for a single loss. The wrongdoer is primarily liable, the insurance company only secondarily so. If the primary liability is discharged, the secondary liability goes with it. But if the secondary liability is enforced, the party so liable succeeds to the right against the party primarily liable.

But there are other ways than by settlement or release after a fire under which the right of subrogation may be affected by the acts of the assured, and some interesting and complicated questions may arise. Railroad companies, for instance, have become more or less wary in regard to subrogation claims, and have sought in certain ways to make

provision against them. Thus, in leasing their property along the right of way to third parties for elevator, warehouse or other purposes, the railroad company now very generally introduces into its leases a clause to the effect that the railroad company shall not be liable for any claim by the lessee for damages on account of any fire set out by the railroad company in the operation of its road.

The question as to the validity of such a clause has been the subject of litigation and adjudication. The Supreme Court of the United States has decided in a comparatively recent case that such a clause is valid and that insurance companies having paid a loss upon property subject to such a lease take nothing by subrogation. It was contended on behalf of the insurance companies that such a clause was contrary to public policy and void; that it could not lawfully be made or enforced by a railroad company. But it was held in making a lease of this kind, the railroad company acted not in the capacity of a common carrier, but as a landlord; that it was not bound to lease its property at all; it might lease it upon any terms which it saw fit.

The question is naturally presented as to how the rights of the insurance company with relation to the assured are affected by the existence without its knowledge of such a clause in a lease where it has insured the lessee.

If we refer to the subrogation clause in the standard form of policy it must be conceded that that clause is not happily framed with a view to the protection of the company against such a state of things. The clause provides that "If this company shall claim that the fire was caused by the act or neglect of any person or corporation, private or municipal, this company shall, *on payment of the loss*, be subrogated to the extent of such payment to all right of recovery by the assured for the loss resulting therefrom, and such right shall be assigned to this company by the insured on receiving such payment."

Under this provision the company can demand subrogation or assignment of the claim only upon paying the loss, and there is no express condition of forfeiture and none that declares what, if anything, must be done by the assured to preserve to the underwriter this right of subrogation.

On principle it may be fairly said that the right of subrogation is such an important element and consideration entering into the insurance undertaking that any act of the assured which deprives the underwriter of that right is in violation of the spirit and intent of the policy. If the underwriter, knowing of the existence of such a lease, or through any

set of circumstances or facts connected with the writing of the risk should be presumed to have such knowledge, he may be said to have written the risk subject to the provisions of the lease. But in the absence of all knowledge or presumption upon that subject it may be fairly contended that the right of subrogation entered into the contract as an essential element thereof. Certainly it should be conceded that if the assured concealed or misrepresented the fact, such concealment or misrepresentation would be a material one and would go to defeat his recovery under the policy.

The question may arise as to whether, independent of this subject of misrepresentation or concealment, the subrogation clause is to be enforced as a *condition* of the company's obligation or as a *covenant* to be performed by the assured. Ordinarily it may be said that in the policy of insurance there are no covenants imposed upon the assured. The policy is what is known as an unilateral contract and its clauses in favor of the underwriter can be enforced only as conditions. That is to say, the undertaking of the insurer is made conditional upon the performance of the acts of the assured stipulated for. If the assured fails to perform those acts or to observe the conditions, the result simply is to defeat the claim against the underwriter, but not to give to the underwriter any right of action against the assured. The underwriter cannot compel the assured to do anything. It can simply deny liability.

But under the language of the subrogation clause the right of the underwriter to subrogation arises only *upon the payment of the loss*. Upon making such payment it does become entitled to demand something of the assured. If the assured, after such payment, should recover from the wrongdoer, a right of action will lie against him on behalf of the underwriter to recover such of the amount received from the wrongdoer as the insurer has paid. The assured becomes a trustee and is liable over to the underwriter out of the trust fund for the amount which he has received from the latter. It would follow logically that when the underwriter has paid the loss he becomes entitled to demand subrogation and assignment of the claim against the wrongdoer, and the assured is bound as by a covenant to make such assignment. If the assured possesses no such right the claim of the insurance company amounts to nothing.

Now, if it be a known fact, prior to the demand for payment made by the assured upon the underwriter, that the assured has, in fact, by a previous contract parted with his right of recovery against the wrongdoer, it would manifestly be a futile thing for the underwriter to pay

the demand with the idea of securing subrogation. Such a payment would, at most, be made with a view to sue the assured to recover the money back. It would seem reasonable, therefore, to hold that the law will not compel the underwriter to do a futile thing, nor should the assured be entitled to demand payment when it is well understood that he cannot make good his agreement of subrogation. The law will look to the substance and not to the shadow. If the substance of the right has vanished it would be compelling the underwriter to chase the shadow if he were compelled to pay the claim. But where the substance vanishes, the shadow goes with it.

The just conclusion would seem to be that the subrogation clause contemplates that where the loss is occasioned by the act or neglect of a third party there will exist a substantial right of recovery against such party of which the underwriter is to have the advantage; that where every element of that right exists, but its being has been destroyed by the voluntary act of the assured; whether such act precedes or follows the loss itself, whether the act of the assured is prospective as in the taking of a lease, or subsequent, as in the signing of a release after the loss has occurred, matters not.

The risk which the underwriter assumes is materially enhanced where the property is situate along the lines of a railroad. The underwriter may meet the hazard either by demanding an increased rate, or through the right of subrogation. If the right of subrogation is to be surrendered a material increase in the rate should be exacted.

If parties holding such leases desire the protection of insurance they should disclose the facts and give to the underwriter the opportunity of either rejecting the risk or charging the higher rate.

The subject has not been fully treated by the courts. A case most nearly in point is that of *Pelzer vs. The St. Paul F. & M. Insurance Company*, 41 Federal, 271, 19 Ins. L. J., 372.

In that case a lease of the kind in question was involved. It was there submitted to the jury to determine whether the fact that the assured had released the railroad company was a material fact or not. And it was held by the court that if the insurance company made no difference in rate with right of subrogation or without it, or if the jury found from the evidence that there was neither usage nor custom showing the materiality of the right of subrogation among insurance companies in their acceptance or refusal of risks, then they might find that the non-mention of such a fact when the insurance was on verbal application was not a concealment or omission of a material fact which would invalidate the policy.

It does not appear that in the case cited there was any express condition in the policy providing for subrogation. When there is such an express condition it would properly be held that the condition itself has the effect of making the subrogation a material and essential term of the insurance, and in such event it may be contended that the policy would be void by reason of the non-disclosure by the lessee of such provision in his lease.

Another class of cases, analogous in most respects, has been the subject of more extensive adjudication. I refer to the provisions which have been frequently inserted in bills of lading, under which the carrier, who under the law is an insurer, stipulates for the benefit of any insurance carried by the owners of the goods consigned. In a number of cases it has been decided that when the bill of lading so provides, the underwriter cannot claim subrogation.

Platt vs. Railroad Co., 17 Ins. L. J. 624, 108 N. Y. 358;

Phenix Ins. Co. vs. E. & W. Transportation Co., 15 Ins. L. J. 574,
117 U. S. 312;

Providence-Washington Ins. Co. vs. The Sidney, 14 Ins. L. J. 382;

British and Foreign Ins. Co. vs. Railroad Co., 14 Ins. L. J. 776,
63 Texas, 475.

And when property is in the hands of a carrier the insurance company has been held to have insured subject to the terms of the carrier's contract.

Jackson Co. vs. Boylston Mutual Ins. Co., 15 Ins. L. J. 47, 139
Mass. 506.

But a shipper cannot recover from an insurer where he gives the carrier, by contract, the benefit of the insurance and where the policy provides for subrogation, and also provides against the loss of subrogation by the act of the assured.

Fayerweather vs. Phœnix Ins. Co., 118 N. Y. 324.

And so when the policy prohibits any act impairing the right of subrogation the assured cannot recover.

Phenix Ins. Co. vs. Parsons, 129 N. Y. 86.

North America Ins. Co. vs. Easton, 73 Texas, 167.

In the case of Phenix Ins. Co. vs. Transportation Company above cited, it appeared that there was no express condition in the policy providing for subrogation.

In the following cases where there was an express provision for subrogation in the policy it was held that no recovery can be had against the

insurance company where the assured has, by contract, released the carrier. See—

Carstairs vs. Mechanics Ins. Co., 12 Ins. L. J. 810, 18 Fed. 473;

Inman vs. Railroad Co., 129 U. S. 128;

Insurance Co. of N. Amer. vs. Easton, Supra;

Fayerweather vs. Phenix Ins. Co., Supra.

In Niagara Insurance Company vs. Fidelity Co. 123 Pa. St., 516, there was a provision in the policy for subrogation and the assured settled with and released a gas company which was responsible for the loss. It was held that an action against the insurer could not be maintained without an assignment of the right against the gas company. See, also:

Phenix Ins. Co. vs. Parsons, Supra;

Dilling vs. Dræmel 9 N. Y. S. 497, 16 Daly, 104.

In Regan vs. Railroad Co., 22 Atlantic, 503 (Conn.), it was held that a railroad company is not entitled to a reduction where the liability is created by statute.

The case of Dick vs. Franklin Ins. Co., 10 Mo. App., 376, 81 Mo. 103, was one in which the right of subrogation under a mortgagee's interest was involved. The policy provided that in case of loss the assured should assign an interest in the mortgage securities equal to the sum of loss paid under the policy. The assured refused to make the assignment. It was held that no recovery could be had under the policy.

SUBROGATION IN CASE OF MORTGAGE INTERESTS.

The insurance of mortgagees presents a peculiar and interesting chapter in the history of underwriting. Owing to the extraordinary growth in modern times of the demand for insurance as a protection to creditors, the insurance of mortgage interests has undergone changes, as to which the minds of underwriters may not in some respects have fairly kept pace.

At an early period in the progress of fire underwriting apparent complications arose which tended to create a prejudice on the part of insurers against the insurance of mortgagees. Double insurances frequently arose and could scarcely be avoided when both mortgagors and mortgagees were permitted to independently insure.

And when the courts decided that the terms "double insurance" or "other insurance" do not apply to insurances upon the separate interests of mortgagee and mortgagor so as to make such insurances either forfeiting or contributory in case of loss, underwriters fell upon the mortgagees' interest as one to be avoided. This attitude of the underwriters met

with disfavor. The simple form of "loss payable" clause which was thereupon introduced to meet the demand of the mortgagee was found to be insufficient and unsatisfactory to the mortgagee. Creditors of large influence gradually secured modifications of the clause in their favor. The modern mortgage clause, a cumbersome, inconvenient and anomalous instrument, grew into being. From the mud the underwriter went into the mire. The mortgage clause is a contract of insurance direct with the mortgagee by which the underwriter surrenders many of the most wholesome restrictions and limitations by which the contract should be safeguarded.

The subrogation feature of the mortgage clause is a redeeming feature. But unfortunately by reason of the fact that the policy itself runs directly to the mortgagor the subrogation clause is rendered unavailable in most cases or is so embarrassed by questions arising as to the rights of the mortgagor as to render its enforcement difficult or frequently inexpedient.

If mortgagees' interests are to be protected by insurance, and that they must be is no longer a question, why should not the mortgagee be treated with directly under a clean cut contract with subrogation as an essential element and disassociated from the entangling alliances which are created under a policy issued to the mortgagor with mortgage clause attached?

Coupled with the right of subrogation it is submitted that insurance of the mortgagee direct is in many, if not the great majority of cases, the most desirable risk of the two. This is manifestly true wherever the real estate, exclusive of the destructible value of the improvements, has a value substantial in itself or affords a security in excess of the mortgage debt. The provision for contribution which is found in the standard mortgage clause might be incorporated into the policy. This clause has been held to enforce contribution, even where the other insurance has been taken out by the mortgagor without the knowledge of the mortgagee. *Hartford Ins. Co. vs. Williams*, 63 Fed. 925.

The inertia which holds us to any accustomed course of business may lead the underwriter to look askance and with indifference upon this suggestion. But I doubt if practical objections can be offered which can be regarded as a sufficient answer to the superior advantages which a mortgage policy, as distinguished from a mortgage clause, may afford.

So far as the subject has been adjudicated, with a notable exception as to the State of Massachusetts, the right of subrogation arises whenever the insurer of the mortgagee's interest pays the claim of the mort-

gagee. No express condition of the policy is required to create this right. It exists independent of stipulation and arises out of the equitable doctrine of subrogation which applies generally to many transactions of the commercial world as well as in connection with insurances.

When the right does exist, whether by express contract or without it, the mortgagee or creditor cannot enforce his demand upon the underwriter without conceding to the latter his reciprocal demand for subrogation to the benefit of the mortgage securities. See *Dick vs. Franklin Ins. Co.* above cited. The rights thus acquired are, however, in the absence of agreement to the contrary, always subject to the mortgagee's right to first satisfy his entire claim as against the mortgagor.

Under the mortgage clause as it exists today under the practice of underwriting, frequent instances arise where the assured has violated an essential condition of the policy, and liability of the underwriter continues only in favor of the mortgagee. For whatsoever reason it may be, the right of subrogation in such cases is rarely enforced. Why this should be is not altogether manifest. Perhaps the considerations are such as may be excited when a man essays to walk over a pile of barrel hoops, he does not know when or on what side the festive mortgage clause may arise and strike him on a tender spot.

Nevertheless, many cases will be found in which with proper attention the pursuit of this right under the mortgage clause may be proper and profitable.

My impressions have been that the companies do not make enough of the matter of subrogation. The right should be jealously protected and watchfully pursued. Conditions of the policy should define it more clearly as an essential element of the contract. The assured should be forbidden, on penalty of forfeiture, from bartering the right away either before or after a loss. It should enter into the making of rates. The very fact that property is destroyed through the act of a third party against whom subrogation will arise, in most instances demonstrates of itself the existence of a special hazard as to which the ordinary rate of premium is inadequate. With subrogation as a fruitful service of salvage the rate may be sufficient; without it the rate may be very inadequate. The right, when it arises, should be exercised. It is a legitimate product of the business which comes to the underwriter as incident to the very nature of the insurance undertaking. It belongs to him of a right born of the doctrine of indemnity, a doctrine which is at the very foundation of the insurance contract and affords its most distinguishing characteristic as opposed to mere wagers and games of chance. While it is in

the nature of a by-product, yet, as before remarked, in the by-product the commercial world finds a frequent source of profit without which the main purpose of the enterprise might entirely fail.

By concerted action, underwriters having a common interest at stake, should establish and adopt suitable measures and mediums through which rights of subrogation may be made effective. Established offices at various centers of underwriting to which these claims may be referred promptly and for systematic investigation and prosecution present an effective and feasible plan of co-operation. The work is of a kind to be pursued along independent lines. The results of such work would soon become manifest, not only as a direct source of revenue and recoupment of losses, but it could not fail to have a wholesome moral effect upon the business generally, and upon the community at large by impressing upon the public the lesson that negligence and criminal indifference in the use of fire is a subject of which the law itself takes account; that insurance, while it beneficently indemnifies against inevitable and accidental loss by fire, is at the same time a menace to incendiarism and to wrong-doing and negligence; that it affords a medium for the enforcement of indemnity claims against all persons who are primarily liable for them. The results of acts for which the policy of the law itself makes certain individuals and corporations legally liable, or the primary obligations resting upon private parties for the discharge of money indebtedness should not cease at the point where insurance has extended its kindly offices to protect the innocent sufferer by fire. Dealing with gentle hand and fostering spirit with the legitimate objects of its protecting care, insurance should move with a firm hand if not with a scourging rod against those upon whom is justly and immediately impressed an obligation of indemnity which insurance is not in any sense designed to ameliorate or relieve.

The treatment of this subject has necessarily been a cursory one, and the endeavor has been to present it as free as possible from the technicalities and difficulties which in many instances are presented.

In the practical enforcement of these claims, much must be left to the consideration of those versed in the subject with reference to the particular phases of individual cases. In general it may be said that vast interests are here involved. Every year there arises in favor of the underwriters of America valid and enforceable claims which aggregate tremendous sums. If the majority of these claims go uninvestigated, ignored or forgotten, it is because the subject has not received the consideration which its importance demands. They should not be passed

over with an unanswered query. Losses should less frequently be assigned to the "cause unknown." Articles of subrogation should not be filed away with the loss receipts and proofs of loss. There is scarcely a general insurance office where the records of loss by fire are preserved, from whose archives may not be resurrected valid and collectible claims, the proceeds of which might be applied in substantial reduction of the annual loss-ratio.

[Applause.]

The President—Has any one anything to say upon Mr. Williams' excellent paper?

Mr. George D. Dornin—Mr. President, Mr. Williams' very valuable paper does not offer any possible ground for discussion. It goes without saying that he has covered the ground most fully, and with all the ability of an expert. Those of us that are familiar with Mr. Williams' work, know how admirably he has handled and is now handling some very large insurance interests, notably those in connection with the burning of the depot at Colorado Springs, a few years ago, still in the courts. My impression is that he alludes to that in his paper, just read, one phase of it, in which he has won out in the higher courts. I should like to see the paper put in shape so that it can be easily handled. It will go, of course, into the general report of the proceedings, but if it is deemed wise by the Executive Committee to have it published in pamphlet form, in sufficient number, I would be very glad to pay my proportion of it, so that we can put it into the hands of our adjusters, and study it ourselves. It is indeed a very valuable paper, and Mr. Williams deserves certainly the highest thanks of this Association for the elaborate work and thought that he has put into it. And I move you, sir, that the thanks of the Association be tendered to Mr. Williams for his very valuable paper.

Mr. Sexton—I second Mr. Dornin's motion, and before I get through, I desire to make another. As Mr. Dornin says, Mr. Williams has handled this paper better than any body else could do it, because he has had more experience in that direction. The paper, listening to it here, can hardly be appreciated. It passes in at one ear and out at the other, and we can by no means remember all of its valuable suggestions. But

following Mr. Dornin's idea, I move that five hundred copies of it be printed from the type used in printing the regular proceedings, to be bound in paper, and one hundred copies sent to Mr. Williams, and the other four hundred copies be distributed, one to each special. It is a paper that every man should have, and he should read and re-read it. It is worth more than all the cost that this meeting will be to the companies, because of the education there is in it, and the manner in which it states the law upon the subject of subrogation. I would like to see every man in the Association have a copy of it, and to have one myself.

Mr. Dornin—I accept Mr. Sexton's amendment, Mr. President.

The President—As I understand the motion in its amended form, it is that five hundred copies of this paper be printed from the type as set up for the publication of the annual proceedings, that one hundred copies thereof be sent to Mr. Williams, and that one copy be given to each member of the Association, and furthermore that a vote of thanks be tendered to Mr. Williams for his valuable paper. As Mr. Williams is not a member of the Association, the latter part of the motion is certainly very much in order.

The motion unanimously prevailed.

The President—I believe that Mr. Bates has speculated somewhat upon one particular part of the paper, and has looked up some authorities. I should like to have his conclusions.

Mr. Bates—I commenced to look up the authorities, Mr. President, but did not have the time to pursue it. You gave me a book on it, and I undertook an investigation, but did not get very far. The sole point that I was looking up was to find out whether any officer, agent or other employe could waive any of the rights of the company under the printed terms and conditions of the contract, which were not the subject of waiver, and that came to my mind more particularly in regard to the insurance of warehouses along the lines of railroads, where the insured had bartered away his right of subrogation against the railroad company, and whether an insurance company could issue a policy to cover such

property knowingly—whether the policy, in other words, would be a valid contract, because every policy of insurance in the standard form expressly provides that an officer, agent or other representative shall have any power to waive any of the printed conditions in the contract, except such as by the terms and conditions thereof are the subject of waiver. That was the only point I was trying to get at. But I really do not know what the fact is—I have not gone far enough into it to find out.

Mr. Sexton—I think Mr. Williams touched on that point somewhere in the paper, where he said that if the insured had waived the right before the policy was written, that the waiver would be good against the company, but if he waived it after the policy was written then he could not recover from the company.

Mr. Watt—Mr. Chairman, we have had a good deal of discussion upon the subject of subrogation, recently, with reference to some very important properties in Montana. The policy simply provides that the company has a right to the extent of its payments against any person or corporation for causing a fire to be subrogated to whatever claims the insured may have. Now, if the insured has voluntarily waived his claims, he has nothing to subrogate. It seems to follow—that to approve a clause in a policy accepting notice that the insured has waived his claim, is not to modify the contract. Mr. Bates raised the question as to whether any agent or employe or manager or any other representative of the company has a right to waive printed conditions not subject to written waiver. Surely not, nor does he waive any condition by accepting notice that assured has waiver claim. It has been waived for him by the insured. The company has only a right to the assured's rights, and if the assured has given away his rights, why, the company has nothing to complain of.

The President—The question Mr. Bates raised was one which came up between us. It seems Mr. Bates read Mr. Williams' paper one way and I read it another. Mr. Bates read the paper to state that it was necessary in some cases for the company to waive its rights to subrogation, in order to indemnify the assured; that is to say, the assured could

not collect from the insurance company unless there was some such waiver on the policy. I believe that was Mr. Bates' understanding of the paper, and that naturally led to the question of whether such clause could be put in a fire insurance policy and be valid. The book Mr. Bates speaks of, which I gave him, was the decision of the case of the Northern Assurance Company versus Grand View Building Association, a decision of the supreme court of the United States to the effect that no agent or other officer had any right to waive any of the printed conditions of the policy, and judgment was given to the company upon that line of reasoning. Consequently, as this clause in the policy was contrary to the subrogation clause and the printed conditions, it would not be valid, whatever the circumstances might be.

Mr. Watt—What was the form of the clause in the policy referred to in the Northern Assurance Company case?

Mr. Bates—That was "other insurance." An agent wrote the policy, and I believe the Fireman's Fund Insurance Company was interested—there were two policies of insurance covering certain property, and the Northern Company's policy was issued without any permit of other insurance. There was a loss, and the Northern Assurance Company refused to pay, on the ground that the policy was void. Then suit was brought against the Northern Assurance Company, and it was proved to the satisfaction of the jury that the agent of the Northern Assurance Company was informed at the time of issuing the policy that the Fireman's Fund had a policy on the same goods. The case was taken from the circuit court to the United States circuit court of appeals, and the judgment of the lower court was there affirmed, and then it went to the supreme court of the United States, where it was reversed, on the ground that the knowledge of the agent in that case was not the knowledge of the company at all; that no agent, officer or other representative was empowered to waive any condition in the policy, excepting certain ones, and then only in the manner provided by the policy itself.

Mr. Watt—That does not touch this question.

Mr. Bates—No, but the question arises in the same way, that if any officer, agent or representative has the power to waive one right, he has the right to waive another.

Mr. Watt—He has a perfect right to waive that by endorsement.

Mr. Bates—By endorsement only, but this one he cannot waive in any way.

Mr. Cunningham—Mr. President, I think the case Mr. Bates refers to is not, as Mr. Watt says, applicable to the very important one of subrogation against the railroad company—the Montana case—for the reason that it is specified in the policy that you do know the assured has given away his rights. If I mistake not, Mr. Williams in his paper states the case decided by the supreme court, where, because of the knowledge that the insurer possessed, that the owner had given away this right, the insurer was bound. That is the case in point; it is not at all a question of "other insurance," as that question does not touch it. The fact that the insured gives away his right, and asks you to consent to it, which we do in the policies—that is the Montana case that Mr. Watt refers to, and one that I think is very important to us all. There the assured has said "I have given away this right, and I will tell you so I want you to put it in the policy." Mr. Williams states that where that is known the company cannot entitle itself to be subrogated to the rights of the assured, and the case went to the supreme court and it was decided that the case would not lie.

Mr. Watt—I did not hear that part of Mr. Williams' paper. But there is just this difference: The policy provides that we have a right to the subrogation of any claim of the assured. I presume that no agent would have a right to put in a clause stating that they had waived that right of subrogation. But I take it to be a different thing if an agent of a company consents to a clause which simply accepts notice that the assured has waived his right. It does not change the fact, in any event, whether it is in the policy or out of it, unless, as Mr. Sexton quotes Mr. Williams, on a point that I did not hear in the paper, that if the assured waives

that right after the policy is issued, that the assured could not then recover against the insurer. If that is true it is a very important point for the people who are making these waivers to know.

The President—Is there any other member who has ideas upon this question of subrogation that he would like to express? If not, I think at this time it would be advisable to take an adjournment until ten o'clock tomorrow morning. Before doing so, however, I desire to name the committees that you have desired the Chair to name. As a committee on President's Address, I will name Wm. Sexton, Frank J. Devlin and Charles O. Scott. As a committee on Cancellation, the Cancellation Problem, I will name Mr. R. H. Delafield, Mr. James S. Reed and Mr. James M. Hamilton.

We will now adjourn until tomorrow morning at ten o'clock.



SECOND DAY.

Wednesday, February 18, 1903.

The Association was called to order by President Gibbons at ten o'clock a. m.

The President—We will come to order, gentlemen. The first paper to be read this morning will not be the next in order upon the program. We will vary the order somewhat and read the paper by Mr. N. B. Whitley, entitled "A Plea for a Fire Prevention Committee of the Pacific Coast." As Mr. Whitley is not here, Mr. Gunn has kindly consented to read the paper for him.

**A PLEA FOR A FIRE PREVENTION COMMITTEE OF THE
PACIFIC COAST.**

N. B. WHITLEY.

For the past year, particularly, more attention than ever before has been given to the subject of fire prevention, and throughout the United States the use of schedules for rating has been greatly extended. The work of the British Fire Prevention Committee, the Insurance Engineering Experiment Station at Boston, the Laboratories of the National Board and Fire Protection Association at Philadelphia and Chicago, are doing a great deal of good as to future methods of construction. These are, however, far in advance of the ordinary needs of the smaller cities of our Coast, their experiments being largely tests of the most superior and expensive factory and office building constructions. All this can be made of great use on this Coast, however; and I believe that we need not be recipients alone, for we are progressive enough to make our work of use to the other committees: and is it an Utopian dream to predict if we went into this heart and soul, that we could be leaders in this line? Probably no place in the United States, or throughout the world even, will see such growth as promises to be ours on the Pacific Coast. To some extent we are a world unto ourselves. Business and climatic conditions are very different from the East. Is it not time to form the Fire Protection

Committee of the Pacific Coast with an Experiment Station, bringing into its membership, not only the insurance companies, but the architects and factory owners, so as to get before the people who are to build our cities and factories, a proper knowledge of these important factors? I would make its scope to include work along lines already being pushed to secure intelligent building ordinances, and such a committee can be powerful in influencing both municipal and state legislation.

The companies are today paying for the faulty construction of 1889 and 1890 (the boom years), and only a few years hence they will pay for the faulty work of today. Gentlemen, the necessity of some united action is urgent. Our cities are being built up today even, with buildings faulty and cheap in construction, not only endangering their own locality, but rendering a general conflagration much more possible, yea probable. During the past year in one of our cities (Seattle) several buildings covering a large area, and some of them six or seven stories in height, have been constructed so cheaply that it is almost a wonder that they can stand alone. (Since drafting this paper I have learned that one building, occupied less than two months, has already settled so as to break several of the large plate glass windows.) The rents now are so high that these cheap buildings pay enormous interest on their cost, hence the incentive. The same class of buildings are going up in Portland and in Spokane. I cannot speak for the other cities. Unless something is done to prevent this, our losses are bound to be heavy, and rates will have to be kept up so high that the business men will not understand, and will become very restive thereunder. Along with better construction should be schedule rates; and even in the smaller cities I believe these should prevail so as to furnish there an incentive to the property owner for better construction and care.

I come to one more point: manufacturing. A great many wood-working establishments and flouring mills are being constructed at this time; other kinds of factories are coming. It is time for the companies to be fully ready to meet these demands, and not let the horde of mutuals, responsible or irresponsible, but especially the intelligent type like the ones in New England, take over the business of these factory risks. The growth of sprinkler equipment on this Coast has been very heavy the past year, but is the general construction and other preventive appliances keeping pace to make these equipments as effective as possible? My observation tells me not. There is now a large investment in these factories, and it will be much larger in the near future, from which a large premium income can be had, and I believe a profitable one if we

can get these properly constructed. To show how profitable the factories have been under rigid inspection and rules of construction, I quote from a recent report of Edward Atkinson, President of the Boston Manufacturers Mutual Fire Insurance Company:

"During the last six years ending December 31, 1901, in which period our safeguards against loss by fire in all main works have been substantially completed, we have reduced the actual losses by fire in the senior factory mutual fire insurance companies to four and fifty-seven one-hundredths (4.57) cents per annum on each hundred dollars' worth of property insured. This comes to a fraction over twenty-seven (27) cents of loss per hundred dollars insured for the whole term of six years. The amount of property insured in these specific companies benefited in this way has averaged six hundred and fifty million dollars (\$650,000,000) during this term and now exceeds eight hundred million dollars (\$800,000,000) in value. The amount of insurance now written by all the factory mutual companies is \$1,200,000,000. * * * And during this whole term of fifty years the Boston Manufacturers Mutual Fire Insurance Company has carried about one-fifth the amount of risks of the senior factory mutual companies, whose returns have been about alike. The average loss per \$100 for one year for the whole term of fifty years has been fifteen cents, having been reduced from about thirty cents in the first few years to less than four cents in the last six years."

This clearly indicates to my mind what can be done. Why should we not do it, and by a fire prevention committee and a factory association here on the Pacific Coast be ready for this income that is now growing right before our eyes? The income today warrants it. Let us be progressive, up and doing, working to prevent fire waste as well as increasing income, feeling well assured by so doing we are ultimately reaching that goal by a much better route than by undue strife, involving excess commissions on preferred lines, rebating or other sharp practices; and at the same time, if not advancing their class, at least preventing any further deterioration whatever of the special agent.

[Applause.]

Mr. President—Are there any remarks to be made upon the subject of this paper? I will say that Mr. Whitley wrote this paper while he was ill in bed rather than break his promise to me, and he stated that it is not quite so comprehensive as he had wished it to be, but he did the best he could under the circumstances, and I certainly think he has done well.

If there are no remarks upon the subject, we will proceed with the program, the next in order being a paper by Mr. Grayson Dutton, entitled "Inspection."

INSPECTION.

GRAYSON DUTTON.

The insurance business is gradually but surely dividing itself into specialties. Where twenty-five years ago a special agent, in connection with being a business getter and a source of information, was also an inspector of all hazards and an adjuster of all losses; now the special confines himself, in the main, to looking after the premium income in his field, and when a wholesale dry goods stock or machinery warehouse is damaged, a specialist, in his own line, is sent to adjust, and through his special knowledge of the particular class of goods ascertain the loss. The premium now charged leaves too small a margin to allow any guessing at valuations. The same applies to "special hazard" inspections.

Machinery has become so complicated and the manufacture of goods from by-products so common as to necessitate a special department of inspection if underwriters would intelligently keep pace with the growth of our industries. For instance: a glucose factory which at one time turned out only glucose and grape sugar now also makes corn starch, corn syrup and corn rubber, and experiments are being conducted for the manufacture of celluloid from the husks. Thus the well known glucose manufacturing hazard may develop into the hazard of a celluloid factory.

In case of a tannery where formerly all leather took from a week to ten days to tan, now some soft leathers are ready for the shoe within a few days from the time the hide is taken from the animal's back. In fact it is said that a hide can be completely tanned within twenty-four hours.

Hence the necessity of systematic and intelligent inspection.

To be successful, however, an inspector must use judgment as well as intelligence and system. In going into a building he must remember that he does not own the premises, nor is the superintendent his employee, whom he can hold accountable for all features that he wishes to criticise.

The company inspector should be neither fault finding nor arbitrary. He is simply there to suggest, and his strong point is in knowing and showing good reasons for making his suggestions and not asking for what he does not understand and cannot explain, as was the case of the inspector who requested that all individual sprinkler heads on a certain

system be opened at least once a week, so as to be sure that they would work. Nor should an inspector run the chance of needlessly damaging property, as the inspector who wanted to set off a couple of sprinkler heads in the center of a flour warehouse, never thinking of the amount of water that would be spread over several hundred sacks of flour.

One should also remember that the owner of the plant is human and has feelings. He can be, and often is, cranky, and the inspector's place is to pacify him and show him where he is wrong, and why, and it all must be done in a dignified but in no case supercilious manner.

FIRE DOORS.

The general object of fire doors seems to be overlooked by the average inspector. He appears to think that they are simply to retard a small fire for a little while. In reality, however, as protectors of openings in fire walls, they are intended to resist fires of even great magnitude, in fact the fire doors are to take the place of the missing bricks and to hold the fire as if the wall were solid. A door that is built correctly till it comes to the last joint, and because an inexperienced workman, who does not know how to make the last joint lap, tacks the two edges of the tin to the edge of the door, will not do its work thoroughly and should not be considered as standard. Nor will a door, even when built correctly, do the work required of it, if it has a wooden sill, is hung on timber, or has light "barn door" hangings, that will bend and give as soon as hot, and would not be accepted by a careful and competent inspector.

A door to do the work should be built thick enough (the thickness depending on the size of the opening to be protected) to hold its shape after all the wood inside the tin covering has turned to charcoal. It should have no exposed nails that can be pulled out by the warping of the tin due to the heat, thereby leaving a hole through the covering for the air to get to the charred wood, allowing free combustion.

For correct protection a fire door should be hung on each side of the opening to be protected, and be self closing. If possible the doors to open in opposite directions—that is, if one opens toward the east the other should open toward the west. Each door should have a fusible link to hold a weight that will counterbalance the door until the fusing of the link releases the weight, allowing the door to close. These links should be fastened to arms extending over the opening. Sills should be built of non-combustible material. All doors should have iron binders

and bumper shoes. Doors should be built of at least two thicknesses of matched boards of non-resinous wood, laid diagonally to each other, and should be made to overlap the openings to be protected at least four inches at top and sides. Each sheet of tin should be nailed to the door, but all nails should be under the joint lap of the tin. Nails under other than joint laps will not hold. The hinges or hangers should be made of heavy wrought iron, strong enough even when red hot to bear the full weight of the door. All hangers should be bolted to the door.

SPRINKLERS.

Sprinklers are not intended primarily as an apparatus for extinguishing fires, but simply to hold the fire in check until it can be reached by the hose streams. This is well illustrated in the *Spectator* of September 11, 1902. Out of eight fires reported, in the case of six, sprinklers and hose streams were used to extinguish the blaze; in one sprinklers and buckets and in one sprinklers alone. This shows the great importance of having a reliable alarm valve to give notice immediately the sprinkler opens, for otherwise the fire might get away from the sprinklers before being discovered and turn what might have been a small loss into one of immense proportions. Or it might turn out as did actually happen in Boston, where a cigarette stump in a waste basket started a fire in the fifth story of a dry goods store some time Saturday night. One sprinkler opened and put out the fire. As there was no alarm valve or watchman the first known of the incident was at half past two Monday morning when a policeman saw the water running out from under the front door on the ground floor. Fire damage \$.50, water damage \$5,000. All paid by the underwriters because they did not compel the assured to spend \$75 to \$100 and put an alarm valve in the sprinkler equipment.

While sprinklers are an excellent protection it must not be thought that because of them no other protection is necessary. Sprinklers have their place, and hydrants and hose theirs, and, like an army, the infantry is good, as is also the artillery, yet each is improved by the support of the other.

Statistics have been kept by the National Fire Protection Association of all sprinkler fires for the past five years. The figures show that 56% of the fires occurred between 6 a. m. and 6 p. m., and 44% between 6 p. m. and 6 a. m. Of these fires 19% were undiscovered until the sprinkler alarm sounded. How large these fires might have grown before being otherwise discovered can only be imagined.

Out of 2078 sprinkler fires reported since 1897 there were only 123 cases where the sprinklers were failures, and nearly every one of these

was due to some fault that could have been overcome by careful inspection. Such cases as water shut off from various causes, could largely be avoided by having no more valves than are absolutely necessary, and having them strapped open. Where sprinklers protect goods liable to water damage no padlocks or other fastenings stronger than straps should be used. Of other causes of sprinkler failures: Fire starting in unsprinklered places; obstructions to distribution; concealed spaces in walls or ceilings; obsolete equipment; too light water pressure; dry valves not working; pipes overcrowded and exposures, take the lead. All these with the exception of exposures could be largely prevented by intelligent and thorough inspection.

THINGS A SPECIAL AGENT CAN DO.

A special agent has too much to do in looking after the local agents and premium account to study all the technical points necessary in the thorough inspection of manufacturing hazards. Still there is a great deal that he can do.

He can see:

That the electric wires touch nothing but non-combustible insulators.

That the chemical extinguishers are tried at least once a year.

If possible he should get the assured to put a shipping tag on each one and put the dates of each test on the tag.

That the steam pipes touch nothing combustible.

A piece of wood covered with tin is dangerous as the thickness of the tin is of very little resistance to the heat.

A steam pipe will not necessarily set wood directly on fire but the heat will gradually char the wood and the warping of the pipe will grind this charcoal into a fine powder which is readily fired by the heat.

That the fire hose is in good condition, that the nozzle is on, and, if the hose is not connected, that the spanner wrench and washers are ready and handy.

The spanner wrench should in such cases be chained to the hydrant. Otherwise it is apt to be carried away.

That all rubbish and goods are kept away from the fire apparatus and sprinkler valves so that they can be readily reached.

That the sprinkler alarm rings and that the sprinkler valves are open, strapped and easy of access.

That the premises are clean, or as clean as the nature of the business will permit.

A careful and reasonably frequent examination of our local hazards by efficient inspectors, trained to the work, assisted as above by the special agents should enable us to reduce our rates, retain our profits and encourage the greater development of the manufacturing interests of our Coast.

[Applause.]

The President—Has any one anything to say upon the subject of the very good paper just read by Mr. Dutton? If not, we will proceed to the next paper on the program, which is entitled "Slow Burning Construction of Wood," by F. J. Alexander Mayer, of Portland, Oregon. In the absence of Mr. Mayer, Mr. Whitney Palache has consented to read the paper.

SLOW-BURNING CONSTRUCTION OF WOOD.

A SUGGESTION FOR AN IMPROVED TYPE OF FRAME BUILDINGS,
WITH PLANS FOR WAREHOUSES, WORKSHOPS,
STORES AND DWELLINGS.

F. J. ALEX. MAYER.

Preliminary.

COMBUSTION BY FIRE.

It is most difficult to burn the trunk of a tree in the open air. The progress of destruction by fire is retarded by the crust of charcoal forming on the outside, and acting, as it were, as an insulator. The larger the diameter of the tree the slower will be the combustion. However, if holes are bored in or through the trunk, the burning is accelerated, and the more numerous the channels the quicker will be the destruction. If the tree is split into cordwood, the facility for burning is increased; and if made into kindling or shavings the consummation, upon ignition, goes on very rapidly, provided the material is not packed too closely together. Sawdust and other combustible substances in the shape of dust attached to walls and ceilings, or filling the air, burn instantaneously, like a flash.

It is the rarefaction, that is, the expansion of air, that helps to facilitate the combustion. The expansion increases in uniform proportion to

the rise in temperature, and the better the supply of air the lower will be the degree of heat necessary for destruction by fire. Therefore it will be observed that fuel fanned by an air current, no matter whether same is caused in consequence of the increasing heat, or by a good draught in a stove or furnace, or by other channels, will burn more readily than if left exposed to the calm atmosphere, which in fact acts as a retardment by compression.

Two pieces of timber laid together and ignited from underneath will burn more freely on the inside, the side of contact, than on the side exposed to the atmosphere, on account that a crack, however small, will cause a current of air.

A rough, angular and round surface will, for the same reason, ignite and combust quicker than a smooth, straight or square mass, because the latter is a hinderance to the expansion of air, while the former forms easier points of attack.

And, again, a large heavy piece of timber cannot be set on fire with a match, while shavings and kindling will ignite immediately.

From such simple, every-day observations the following conclusions are reached:

"The smaller the bodies of fuel and the more freely the air surrounds them, the quicker and the less obstructed will be the combustion.

"Flues and other channels accelerate the destruction by fire on account of the draught and expansion of air which they cause.

"The flames for the purpose of ignition must be proportionate in size and endurance to the resistance and difficulty to combustion of the object to be attacked.

"The larger the size of the solid mass of fuel, the more it will resist the ignition from a spark or small blaze.

"The smooth, straight, solid mass in the absence of conducts for the formation of air currents, retards in a high measure any attack of fire."

The action on an air current upon a flame may be further illustrated by comparing the flow and velocity of air with that of water, with the difference that the one has an upward, while the other has a downward tendency. The laws governing the velocity of falling bodies, such as water in this instance, are well known. The velocity of a falling body increases in proportion to the square root of its distance. A body falling will require for the first foot of fall, one moment of time, for the second foot it will square its velocity; that is, it will be four times as fast for the second foot as for the first foot; for the third foot it will square its velocity again; that is, it will be nine times faster than the first foot of fall, and

so on. The same law applies to the velocity of air, only that air is rising instead of falling.

This is the reason why fire is so slow burning downward, why it takes such a rapid and steadily and increasing upward start, unless the air currents are stopped, or the flames retarded by material difficult of attack, or extinguished entirely by having nothing to feed upon.

"For this reason it is of the first importance to check the upward march of a fire."

These common-sense precepts are the fundamental principles to be considered in the construction of slow-burning wooden buildings.

ORDINARY WOOD CONSTRUCTION.

If it had been contemplated to devise, upon the principles stated, a quick-burning construction, for rapid destruction by fire, truly no better plan could have been designed than the ordinary building construction used today. This construction has all the advantages of speedy consummation by fire. Scantlings are used for joists, studdings, plates and rafters, they are set at narrow bays, which are again encased from both sides and make veritable chimneys, not only in a vertical, but also in a horizontal direction; in fact, in all directions and everywhere without limit. These channels fan the fire furiously, they are hidden and unapproachable, and stimulate the jumping of the flames to upper stories and to adjoining and further off apartments.

In flimsy-built houses, whether the joists, studding and rafters are incased or exposed, they are true collectors of dust and dirt, composed of fine combustible particles, which are subject to flash fires.

Frame buildings, as they are ordinarily constructed, have usually low and unapproachable attics and basements, which are poorly ventilated, poorly lighted and very often are destitute of light. They have bad roofs and poor floors, easily inflammable, not only on account of the thinness of the boards, but more especially that they are spaced far apart or matched without being grooved and tongued. They often have furring strips, which form conducts for air currents, between the roof boards and the roof material covering same, or between the floor boards or walls, if double sheathing is used. They have innumerable, unused, hidden places, where dirt will collect and where rats and mice make their homes and gather rubbish. They have also, hollow editions in the shape of cornices, and other ornaments, which are often unsightly, and sometimes even offensive to the sense of beauty; they are really nothing but additional flues, fire fans and fire-traps. Such buildings have open and

unprotected stairways, open elevator-shafts, belt-holes, numerous and unprotected skylights, unplugged pipe-holes and everything else imaginable to kindle and nourish a fire.

A modern sprinkler system in any one of these frame buildings of the ordinary construction is practically a sham and a failure; the hidden places and narrow bays can, in case of fire, even in its incipency, neither be reached effectually by a sprinkler, nor by a stream of water from a hose, nor by water thrown from a bucket.

Neither does this flimsy, scantling-like narrow-spaced construction, add to the bearing capacity of the joists, studdings and rafters, as it is well known that six joists spaced at 16-inches, centers covering a width of eight feet, carry no more weight than a beam of six times the same width, if of the same thickness, with a bay of 6 times 16 inches, or eight feet, as the tensile strength (that is, the resistance of any material from being broken by bearing upon its cross-section) increases in exactly the same proportion as the width of the joist or beam. The same is true of the compression strength (that is, the resistance of material to being crushed) of studdings and scantling posts in comparison with heavy wooden columns. It can, however, not be denied that where wider bays are used between the floor beams, a heavier floor becomes necessary, but this heavier floor adds to the safety against fire, to additional stiffness and steadiness for delicate or fast-running machinery, and it does away with cross-bridging, or so-called herring-boning, which serves only as more kindling wood for a fire, and makes more places for the collection of dust, lint, refuse, rubbish and cobwebs.

But the flimsy and flue-like construction is not the only objection made against the ordinary construction. The finish of the woodwork in oil, shellac or varnish, the unnecessary amount of moldings, plastering or wooden lath with its concealed spaces, the use of cloth and paper, are also material factors, which stimulate a fire.

However, the most important of all hazards is the flue or chimney. It is built frequently from a bracket and often only one brick in thickness with wood plugging for nailing grounds, with floor planks trimmed closely to the thin walls of the chimney, with wooden joists set into the walls, without mentioning its substitutes, such as terra-cotta flues and stovepipes. No wonder that probably one-fourth of the fire waste in this country is attributable to defective flues.

It seems that in the ordinary wood construction everything is calculated to make a veritable furnace of the building, and nothing is done to retard a fire, nothing to make the building more stable, secure

and durable, nothing to promote cleanliness and tidiness, and even nothing to make the building less expensive than a more solid and for all purposes more reasonable construction.

SLOW-BURNING CONSTRUCTION OF WOOD.—MOTIVE.

In a suggestion for an improved type of frame buildings, especially for the use of mills, workshops, and warehouses, the all-governing consideration must be the first cost.

If this most important of all factors is not kept constantly in sight, no improvement, however economical in the long run, can be expected. This is especially the case in the Pacific Northwest, where financial conditions are yet in their infancy, where industrial development is just beginning, where capital is not yet aggregated, and where the initial cost is the most weighty question, whether or not an enterprise can be undertaken.

If this condition were not true, an annual rate of 10 to 18 per cent. on flimsy-built shingle mills could surely not be collected.

The cost of a building on the standard of slow-burning mill construction, with its brick walls and cut-off brick towers, as enforced by the factory mutual companies in the New England States, would be equal to being prohibitive in this section. The small capital on which men commence business on this Coast is simply not adequate for such requirements.

However, if improvements are suggested which do not materially increase the initial cost, which minimize the danger and spread of fire, which reduce the rate of insurance, then they will be heeded and carried out, because such betterments will not only give additional security, but also will put business on a sounder financial basis, and will make the investment better, and credit will be easier secured.

The suggestion of such improvements is the sole object of this treatise.

THEORY AND PRACTICE.

In the examination and application of slow-burning construction of wood the main theme will naturally be to avoid the defects as a fire hazard of the ordinary building, to give attention to the possibility of detecting a fire at its start, the opportunity of extinguishing a blaze at its incipency, a chance for the speedy escape of the inmates of a burning building, the likelihood of the removal of at least a part of its contents, and the resisting strength of columns, beams and floors to carry the

super-imposed load for a long time before the burning timbers will collapse. Such a construction will also cause less vibration and consequently less wear and tear to machinery, and give firmness and durability to the building. It will add greatly to the cleanliness and tidiness of the apartments in general.

Timbers.—The first requisite will be to make a heavier and wider spaced construction. This can be achieved in massing the materials together without reducing the loading capacity. The size of the timbers will depend on the loads which they have to carry, and sufficient should be added to the thickness of columns and beams so that they will carry without bending or deflecting the whole super-imposed weight, even after these timbers have been charred all around one inch deep. No matter what the size of the timbers have been calculated to be, a wooden column should never be less in thickness than one-twelfth of its length, and a wooden beam never less in depth than one-twenty-fourth of its span. If of greater length or span in proportion to thickness and depth, they are liable to bend or deflect, even should the weight not exceed the otherwise properly estimated bearing capacity. It is proposed to have for mills, workshops and warehouses of two or more stories the columns of the first or ground floor at least 12 by 12 inches thick, and the beams 12 inches wide by 14 inches deep. For one-story buildings and for dwellings and the like, smaller-sized timber and larger bays may be used safely. The span of a wooden beam should never exceed 25 feet, the span recommended is 20 feet.

All timbers should be planed or sized on the exposed sides. Only square timbers should be employed and the exposed corners chamfered or trimmed. Round posts of the same diameter carry only two-thirds the loads of square columns and occupy the same space.

Double beams laid at close interspaces, or joists bolted together should not be used on account of their quicker inflammability, although, it is true, that compound timbers add to bearing capacity and stiffness.

Girders should be avoided, as they form intervening spaces and add nothing to the carrying power. Proper sized beams are to be preferred.

Mortises and tenons are not advisable, because they weaken the strength of timbers.

Iron stirrups for the support of beams will give way to heat sooner than heavy wooden posts. Only the strongest kind should be used, whenever it is not practicable to do without them.

Timber posts offer more resistance to fire than unprotected iron pillars or stirrups.

Moldings which serve as ornaments must be discarded entirely.

Bays must be smooth and as large as safe construction will allow, so as not to obstruct the extinguishment of a fire by means of a stream of water. A modern sprinkler system can only be properly and advantageously installed between wide and open bays. The width of bays recommended for business structures is 8 feet. For halls and dwellings they should be laid out to correspond in a pleasing way with the apartments.

Ceiling boards, or wooden lath for plastering grounds, must never be nailed on the underside of beams. All hollow spaces must be avoided.

The columns of the ground floor should preferably rest on brick piers or brick walls. The proper size for a 12 by 12-inch post is a 20 by 20-inch brick pier, or a 16-inch brick wall.

Granite or other stone, liable to disintegrate under heat, must not be used as a support.

In buildings of more than one story, with the exception perhaps of frame dwellings, where it may be admissible, it should not be allowed to have the columns of the upper stories rest on beams laid across supporting columns. The crushing strength of timber perpendicular to the grain is about one-half of the strength with the grain. Hence, for the support of posts of the upper stories strong iron caps, cast in one piece, should be laid on top of the supporting columns and these caps should be so formed that they will also carry the beams. Such an iron cap will distribute the weight over the top of the post more uniformly and lighten the great disadvantage of side-loading; that is, the eccentric loading of the columns by the beams. In case of a fire beams supported in such a way will be self-releasing and not tear down other timbers with them when they break down.

Whenever it is thought advisable to center-bore columns and beams for the purpose of promoting the proper seasoning of timber and thereby prevent dry-rot, it will be best to bore an inch-and-a-half hole through the core and connect same with transverse holes, one-half an inch in diameter, near both ends. The transverse holes to be bored through the timber at sharp angles and to meet at the core and to be made from the sides of beams. The boring of the transverse holes in the manner described will suffice for ventilating without promoting materially the march of a flame.

In the planning of lecture rooms attention must be given to acoustics, the doctrine of sounds. Cross-beams should never obstruct the ceiling of a hall; they will break and check sound waves. Where

the size of spans and bays, as admissible in wooden construction, is not large enough for a hall, then well-protected steel beams must be substituted to form larger spans and bays, and if steel beams are not adequate, recourse must be taken to make a flush ceiling on fire-proof principles; that is, a suspended ceiling of expanded metal or wire lath and plaster.

Floors.—Floors must be made of heavy material, air, smoke and water-tight.

When bays are 8 feet wide in mill and mercantile buildings they should be laid with planks 3 inches thick, grooved and tongued or splined. If wider bays are used, the planks must be proportionately heavier. Planks of 3-inch thickness should not be over 9 inches wide, to prevent cracking and splitting. Planks should be at least two bays in length, joists breaking every 3 feet. This precaution is taken in order that the weight on the beams, and hence their deflection, may be uniformly distributed. The strength of floors for workrooms containing heavy machinery must be in excess of that necessary to sustain the weight, to meet the conditions of delicate and rapid-moving machinery. The lower surface of the planks, which forms the ceiling for the lower floor, should be planed. Over the planks must be laid some fire-retarding and water-proof material. It is recommended to use three thicknesses of resin sized paper, each layer mopped with tar or asphalt, care being taken to lap joints well.

On top of the fire-retarding and water-proof material must be laid a top floor of 1-inch dressed flooring not over 6 inches wide. It should be laid diagonally, or across the plank parallel to the beams.

Planks and top flooring must be blind-nailed.

Floors of factories or mercantile buildings should have a slight pitch (one-half an inch to each 10 feet) to drain off water by means of scuppers made of inclined iron tubes with a light swinging cap on the outside.

Floors should be continuous throughout, avoiding openings to the utmost extent, so that a fire originating in any one story of a building may be confined to that floor. This provision has been successfully carried out in slow-burning mill construction by the erection of brick towers entirely cut off from the main building. However, in the construction of purely wooden buildings with walls of wood, it is difficult to devise satisfactory measures to guard against all the weak points of the upward march of a fire, which is the most dangerous factor to contend with. It is suggested to protect all hatchways with automatic or self-closing doors.

For ground floors double flooring at right angles can be laid without sleepers on a concrete of six inches of gravel, with hot tar spread over it. Such double floors should be properly nailed together. Otherwise constructed ground floors without ventilation from underneath are subject to dry-rot.

Roofs.—Flat roofs with a slope or pitch of $\frac{1}{2}$ -inch to a foot are to be preferred. They require the least amount of timber. A properly laid tar and gravel roof or a tin roof are the most suitable, if laid on two or three-inch planks, grooved and tongued, at least two bays in length, and joints broken every three feet. For a tar and gravel roof three courses of roofing felt should be used.

Rafters on factory and mill buildings to be about 10 inches wide and 12 inches deep. The ends of the rafters may pass through the wall and be finished as brackets.

Where rafters join at the ridge, they should be connected with $\frac{3}{4}$ -inch iron dogs.

Partitions.—If divisions are made for the isolation of various portions of a building, they must be constructed as solid and tight as feasible.

Planks two inches thick, grooved and tongued, and covered on both sides with fire-retarding material, should be used and same covered on each side with one-inch ceiling boards, making a four-inch partition.

Walls.—If buildings are detached one hundred feet or more, they need no heavier outside covering or sheathing than is customary in the ordinary construction; that is, one inch sheathing on the outside, covered with building paper and clapboards or rustics over it.

If exposed, the outside covering should be made of heavy planks, similar to floors and partitions.

Stairways.—It has been recommended to locate stairways at side walls. To have separate enclosures for each flight, not less than one and one-half inches thick, made tight, or to be made of two thicknesses of tongued and grooved boards, with doors one and one-half inches thick at the bottom of each flight. Doors to be provided with a spiral spring to keep same closed automatically or to be held by a hook attached to a fusible link. Glass windows in stairways to be stationary, not swinging, and wire glass preferred.

This recommendation is satisfactory for buildings with brick walls. However, objection is made thereto for the arrangement of stairways in buildings of exclusively heavy wooden construction. The heavy timbers would throw the staircase about one foot from the wall, and this construction also puts the flights one on top of the other. This should be

avoided, because stair wells are one of the weakest points of the ordinary construction.

Stairs should have as open a construction as possible. Should be near the center of the building or at least four feet from any wall or partition. They may be placed close to a wall, if side of stringer is lined with heavy timber, so that no narrow open space will be formed in passing a large beam or post. Because stairwells should not be located one directly upon another, it is preferable to have the stairway to the next story at least one bay apart. In mills and warehouses, it would be advisable to build the staircase of heavy treads, no less than three inches thick and without risers. If possible, they should be made with two, instead of three, stair carriages or stringers, each four inches thick. No soffits or any kind of incasing underneath stairways should be used. Closets under stairs are prohibited. Treads should be at least $3\frac{1}{2}$ feet wide. The sum of the rise and tread shall equal $17\frac{1}{2}$ inches. A comfortable and convenient arrangement is to have treads 10 inches wide, without counting the nosing, and a riser height equal to $7\frac{1}{2}$ inches.

Stairwells must be protected two feet wide on ceiling with standard lock-jointed tin covering, and well rabbetted. Stairwells to be provided with self-closing standard tin doors of same thickness as floor. They should be held by a hook attached to a fusible link. The doors must extend over well hole and fit into the rabbetting tightly.

For woodworking shops and such other establishments, where it is feasible, it would be better to locate open constructed stair-cases on the outside of the building instead of on the inside. At least two such flights, located in opposite directions of a building, should lead to each floor. Each floor should have a separate staircase, entirely independent from other floors. Winding staircases may be used, but wherever space will permit, straight staircases without winders will be preferable. In case of an alarm by fire and also for the handling of goods, a straight staircase will always be of advantage. The inmates can descend it quicker, and accidents of falling and tumbling will not happen so easily as on a winding staircase.

Elevators.—Enclosures of elevators are prohibited, except where they are made of incombustible material or of two-inch tongued and grooved plank and then protected by sprinkler placed inside of elevator shaft at top and at each floor.

Open elevator hatchways are preferable. They are to be provided with tin-covered standard trap doors, which open and close as the elevator passes. Holes for cables shall be as small as possible and have

pipe casings or floor thimbles for protection. The leaving of an elevator at a landing shall not be accepted in lieu of a trap-door.

Coat Closets.—Wherever they are unavoidable they should be at least three feet lower than the ceiling and have open or cloth-covered tops, so that a fire by its rising smoke may be quickly detected.

In dwellings where this construction may not be practicable, they may be built of heavy planks like partitions, and provided with a small stationary window near the top.

Shelves.—They must be used sparingly, placed only in conspicuous places, and so arranged that they will not hide a smouldering fire.

Cornices.—No cornices with concealed spaces are permissible.

Windows.—The common window sash weights must be discarded on account of the hollow spaces for the weights. If the common, vertical opening window is used, it must be secured in position by pin fasteners or similar devices. The European style of windows, opening sideways and to the inside, is preferable. The windows on the opposite side of a workroom should be stationary, if practicable.

Windows should be as close to the ceiling as the construction will permit. It will shed light better in this way. Fine ribbed glass, which is translucent, but not transparent, is advocated as withstanding heat better than common glass and is especially recommended for mills, workshops and warehouses.

Transoms.—They should be hinged on the bottom of their frames and open to the inside of rooms. This will prevent draughts and directs the air currents for ventilation towards the ceiling.

Skylights.—They must be avoided, whenever possible. If used, they must be glazed with wire glass or protected by wire screens, supported on iron frames from 4 to 6 inches above the glass. Mesh to be not larger than $\frac{1}{2}$ -inch and wire to be not smaller than No. 12.

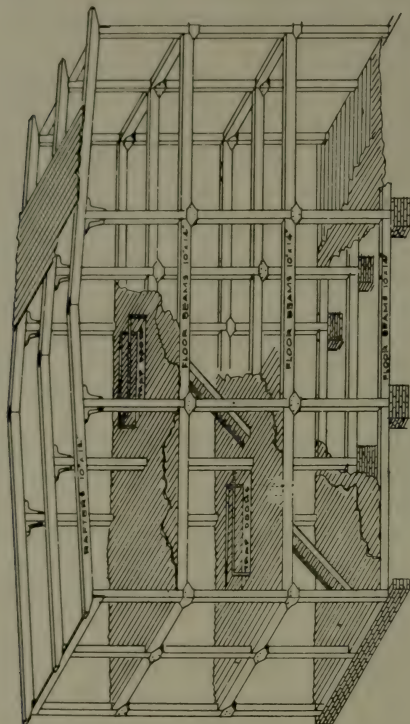
For one-story structures, such as wood-working plants or machine shops, the Monitor shape of buildings is decidedly of advantage, as far as the uniform distribution of light is concerned, and is an improvement over the use of skylights.

Height.—The height of a wooden building should never exceed three stories.

Belt Shafts.—They must be overhead on all floors, where they are used. Shafts underneath the floors, as they are sometimes located, are dangerous because the apartments in which they are installed are usually low, difficult of approach, dark and not under constant surveillance.

The shafts of the various stories should be connected by belts from the outside of the building. If this is not practicable, then belt holes must be as small as possible and covered with lock-jointed tin.

Sawdust Conveyors.—These must be made of tin. Wooden ducts are prohibited.



THREE STORY TIMBER WAREHOUSE.

1

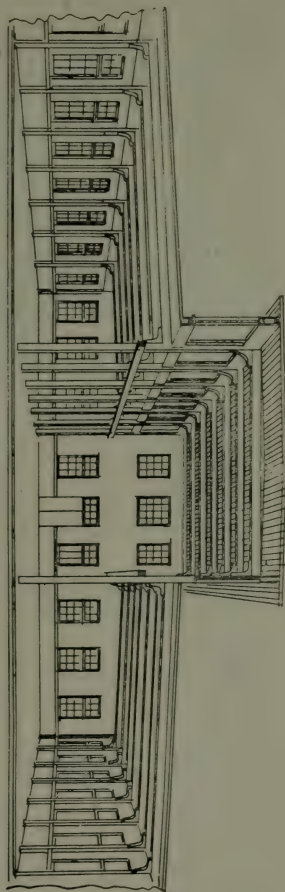
Steam Pipes.—It is best to locate steam pipes overhead. They must rest on or be supported from iron brackets well insulated. Wood plugs for support of pipes are prohibited. Pipes passing through floors must be protected by pipe casings or floor thimbles and be well plugged.

Oil, Varnish, Etc.—The timbers inside a building must not be oiled or varnished or painted with paints containing oil. They may be painted

with water colors or fire-retarding paints. But it is best to whitewash or calcimine once a year the inside of workshops and warehouses, especially if they are built of rough timber. The use of cloth and paper as wall

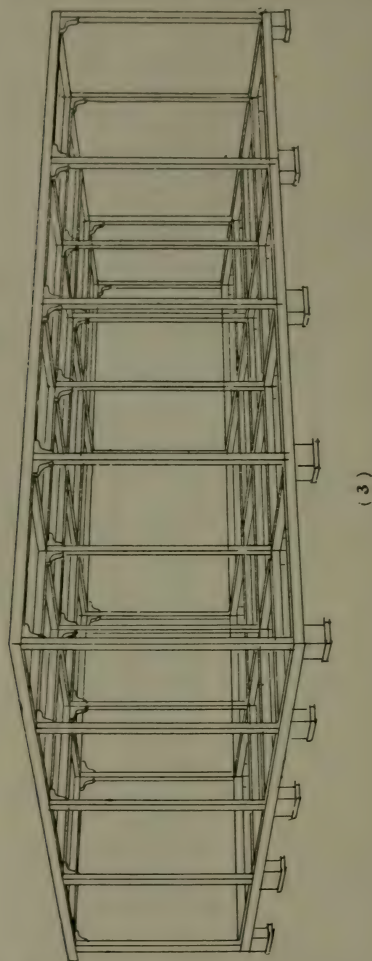
MONITOR-SHAPED MACHINE SHOP.

2

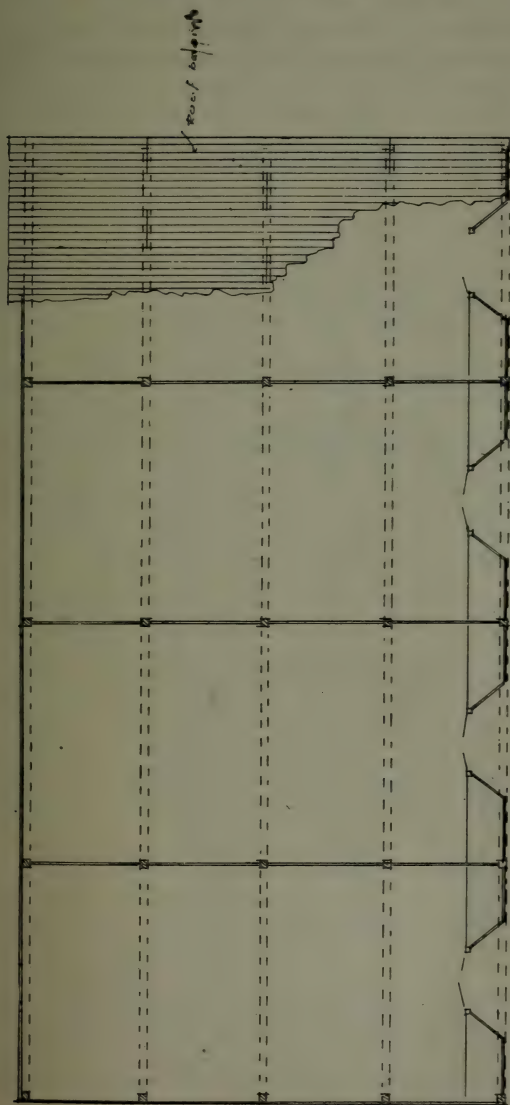


covering, as sometimes used in dwellings, is prohibited. A wall covering with a suitable pattern on the style of metal ceiling sheets would make a neat finish for halls and dwellings.

Not only on account of the facility of the spread of fire, but also on account of the damage resulting from dry-rot, heavy timbers or



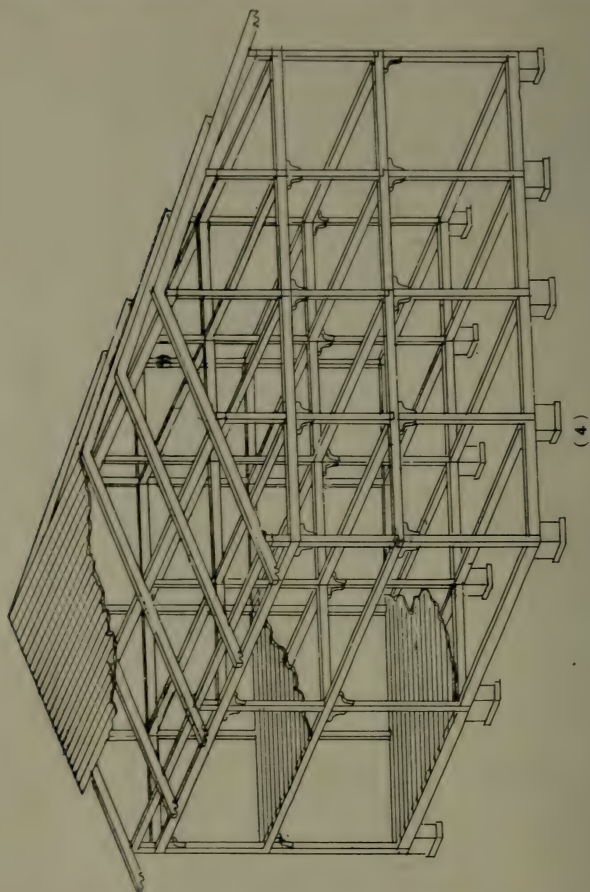
thick planks should not be painted with oil colors or varnished, filled or incased, lest fermentation should destroy them.



RANGE OF FOUR STORES

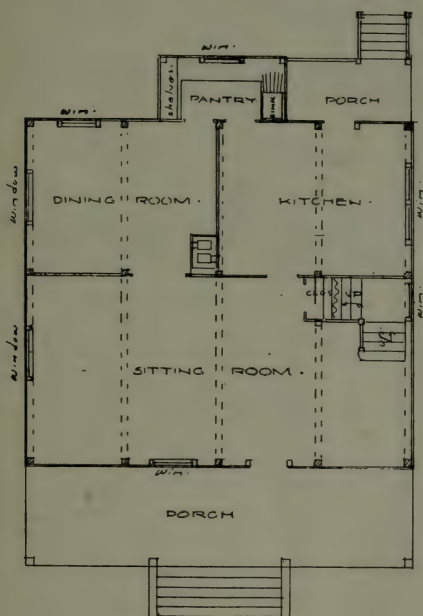
3

When plaster is used on planks no skin-coat should be applied. Such a coat would make it impervious to air and would cause dry-rot.



Flues and Chimneys.—Chimneys must be built on a good foundation from the ground and independent and clear of timbers. The walls should never be less than ten inches thick with joists well broken. Earthenware lining should not be used. It will disintegrate in time,

which process may be noticed quite often by terra-cotta flues. Wrought-iron linings will rust and the action of the heat in the chimney and the surrounding cold air ruins them after a few years' use. It is on record that these iron flues have collapsed and closed up the chimney throat. Much better results will be achieved by lining chimneys with bricks set on edge, the bed, head and cross-joints grouted; that is, thoroughly filled



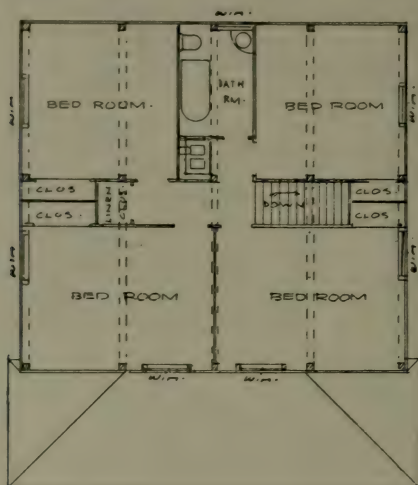
FIRST FLOOR PLAN.

(4)

with mortar, and the joints well pointed. Such a finish will give better results than a coat of mortar. Soft brick, known as salmon brick, are better for the lining than hard burnt brick. This appears to be an absurd proposition, but it is a fact nevertheless. A hard burnt brick absorbs heat like a piece of metal and hence is a poor insulator.

The throat area of a flue should never be less than 64 square inches. The best location for a chimney is on the outside wall, but a well-built chimney may advantageously be placed without much loss of room close

to the inside corner of a bay formed by heavy timbers. No harm will be done in corbelling out a 10-inch chimney for the purpose of sustaining floor planks. They may be trimmed close up to it. Wood pluggings or timbers must never enter the walls of a chimney. When the walls are corbelled, in order to sustain floor planks, it is advisable to lay the floor planks in such a bay diagonally, as in this way the planks resting on the chimney will be only short pieces. By this construction header-beams will be avoided.



SECOND FLOOR PLAN.

(4)

Ladders.—A factory or warehouse building should be provided on both ends of the outside with stationary iron or wooden ladders reaching three feet over the eaves of the roof.

Fire Protection.—It is not the object of this article to write about sprinkler systems and proper fire protection. The value of such installations is so well known and so thoroughly appreciated that a discussion thereof is not considered necessary.

Hand Hose.—Size should be $\frac{3}{4}$ to $1\frac{1}{4}$ inches, length never more than 25 to 50 feet. Hose should be coiled on racks at frequent intervals,

especially where most needed, and attached to piping, ready for use, and provided with small nozzle, having a $\frac{3}{8}$ or $\frac{1}{2}$ -inch outlet.

Pails.—They should be hung on posts. Covers are advisable. They should be systematically distributed over the building. One dozen pails for 5000 square feet of floor is the proper allowance. They must be inspected weekly and refilled with water, whenever necessary. Salt should be added to the water. Where paints, oils and grease are used, there should be a few extra pails filled with sand close by.

Hand Extinguishers.—Chemical extinguishers are of great service at incipient fires. Only an approved type should be purchased. The pattern adopted by the National Fire Protection Association is especially recommended.

PLANS AND DETAIL DRAWINGS.

No. 1.—Three-story timber warehouse, showing location of stair flights. The top flooring should be laid diagonally or across the planks parallel to the beams. In this respect a mistake was made by the draughtsman in the plan.

No. 2.—Monitor-shaped machine shop, preferable to a one-story building with skylights.

No. 3.—Range of four stores. Outside measurement, 40x80 feet; divided into four stores of 20x40 feet each. For hot summer climate a high attic over the stores would be advisable.

No. 4.—Two-story dwelling with attic. Staircase open construction, treads and risers, no soffit. Heavy partition and door on top of stairs, to separate staircase from second floor. Attic is reached by stationary ladder through scuttle hole. A higher attic with staircase leading to it would be an improvement.

No. 5.—Standard post cap; patented by T. Duvinage & Co. Principal feature, two short pins for holding beams in place.

No. 6.—Goetz post cap, patented. Note lug for holding beams.

No. 7.—“Old Style.” Showing weakness in case of breaking of beams.

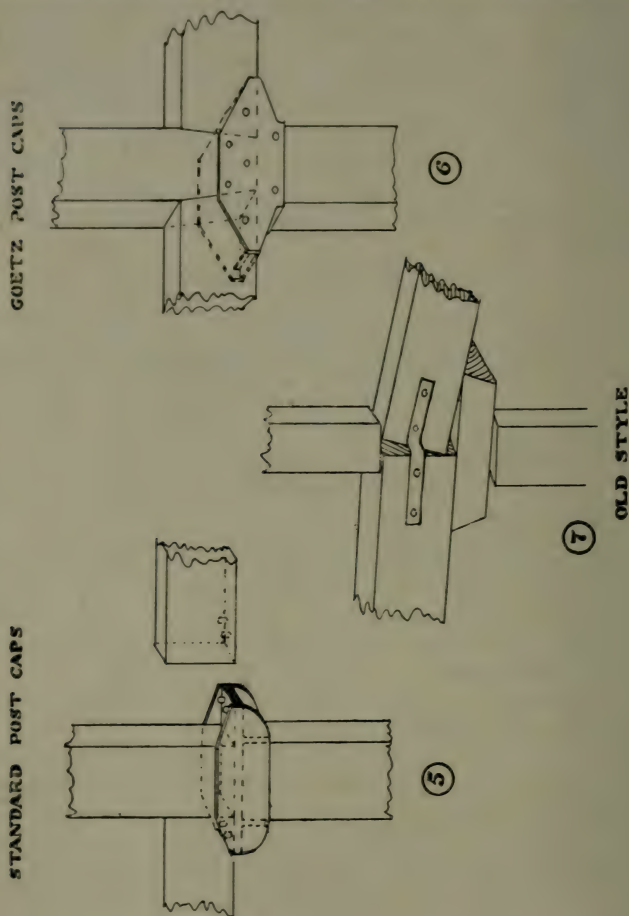
No. 8.—Elevator with self-closing doors.

No. 9.—Trap door, automatic, held by fusible link.

CONCLUSION.

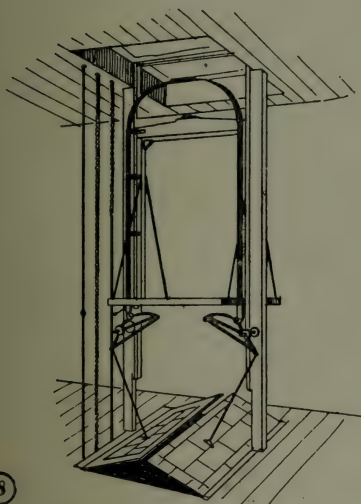
From the facts, conditions and suggestions represented it is conclusive that it lays in the power of the people to reduce the annual fire waste, which now amounts annually to more than \$150,000,000 within

the United States, or say to 65 cents on each \$100 of insured property. The statistics of the factory mutual companies of the New England States



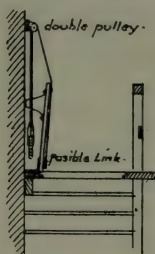
show plainly what can be accomplished by better construction, better protection and frequent inspection. The risks which they write is usually of that class which is known as hazardous and extra hazardous.

However, by enforcing more and more rigid rules toward safeguarding, acquired by experience and scientific experiments, they have succeeded to reduce their losses gradually from 36 cents per \$100 of insurance in the year 1855 to 3 cents per \$100 in 1901, of which only one-third is to be attributed to direct loss by fire, while two-thirds was caused by water damage.



8

**AUTOMATIC TRAP FOR
ELEVATOR FLOOR OPENINGS**



9

AUTOMATIC TRAP DOOR.

It is no more than fair to assume that a people as intelligent as that of the United States have simply in the rush and eagerness for business never given the fire waste its proper consideration. But, as always, quick and alert, will immediately acknowledge its carelessness and false methods. It will correct its mistakes at once, if same are properly exposed.

The missionary work in advocating a more reasonable construction rests with the engineers, architects and insurance men of this country.

[Applause.]

The President—For the purpose of looking at the diagrams which Mr. Mayer has kindly sent along with his paper, I think we will take a recess of five minutes, when any member interested can look them over and so observe what Mr. Mayer has in mind in the suggestions that he is making.

A recess for five minutes was here taken.

The President—We will have one more paper this morning, and that will be Mr. D. A. Spencer's paper on "The Standard Form of Policy."

In the absence of Mr. Spencer, Mr. Cunningham has kindly consented to read the paper.

THE STANDARD FORM OF POLICY.

D. A. SPENCER.

When I promised your President to write a paper on the standard policy, I did not fully comprehend the extent of the subject or the great volume of material necessary to be culled and concentrated to come within the time that could be given to it by this meeting. To fully understand the standard form of policy and the reasons for its adoption it is necessary to go somewhat into the history of policy forms and their evolution.

The encyclopedias tell us that the first fire insurance policies were written in 1667 just after the great fire in London, but do not give the forms. Evidently they were very simple forms of contract, for in 1725, which is the first preserved copy of a form that I have been able to find, the contract ran to the assured, his heirs executors, administrators and assigns, and the only condition by the insurer was the reserved right to repair or replace the property damaged or destroyed. A policy form for fire underwriters at Amsterdam, in 1744, read :

"We the undersigned do insure your ———, or whom else it may concern wholly or partly, friend or foe," and covered "The house and utensils, moreover the household furniture, goods, wares and merchandise of whatever quality or nature they may be, none excepted ——— against fire and all dangers of fire, moreover against all damage which on account of fire may happen, either by tempest, fire, wind, own fire, negligence or fault of our servants or of neighbors,

whether those nearest or further off, all external accidents thought of and not thought of, in what manner soever the fire might happen."

The policy placed a specific value upon the property, and continued: "It shall not prejudice whether all this be worth, or has cost, more or less, the insured or whom else it may concern in case of damage or hurt shall need to give no proof nor account of the value, as we know it is impossible to be done, but the producing this policy shall suffice."

An English insurance society in 1746 issued its policy to the assured, his heirs, executors or administrators, thus making an important step forward as to the parties in interest. The policy contains a condition for repairs or replacement in the event of loss by fire, voids the policy if there be any other insurance without permit, or if the premises be occupied for certain described purposes.

In our own country the Philadelphia Contributionship has the honor of issuing the first policy of an American fire association. The policy issued in 1752 was a valued one, payable to the assured, his executors, administrators and assigns, and provided for the payment of loss or damage by fire as often as it should occur during the term of the policy. There were no restrictive conditions other than those relating to the payment of premiums.

The Hartford Fire Insurance Company issued its second policy in 1794, and closely followed the Amsterdam form as to the parties in interest, and the causes of loss or damage, but provided for submission to arbitration in the event of differences in the adjustment of loss.

Policy No. 73 of the Insurance Company of North America, issued in 1795, was payable to "the assured, his heirs, executors, administrators or assigns. Void if other insurance without permit, if loss or damage by fire shall happen by invasion, foreign enemy, civil commotion or any military or usurped power, or if premises be occupied" for certain prescribed trades or merchandise. A policy issued by the same company in 1811 provides for arbitration in the event of differences after loss, and prohibits transfer without consent of company.

In 1833 a policy form excepts "bills of exchange, bonds, notes of hand and other written securities, title deeds, bank notes, specie or bullion, books of account, jewels, plate, medals or other curiosities, time pieces, musical instruments, paintings, pictures, and sculptures unless specified." In 1852 a policy form binds the assured to notify the company of additional hazard and provides for cancellation by the company. In 1856 most policy forms had the condition, "The insurance by this policy is based upon the following classification of risks," and then fol-

lows the non-hazardous class, the hazardous class, the extra hazardous class, and the specially hazardous class, each of the last three classes with two divisions. These classes were supposed to include every known risk.

From this time forward the growth of the policy conditions is too rapid to be followed in a paper of limited scope, and it has been impossible to note the differences between the forms of the various companies. While in things of moment, and to cover experiences common to all the companies, the conditions were the same, yet in many things they differ, so much so that often great confusion occurred in adjusting losses due to non-concurrency.

The great majority of the companies were trying to make an honest contract, and at the same time protect themselves against dishonesty on the part of the assured, but as is always the case in any business there were some dishonest fire insurance companies who inserted clauses among the conditions of their policies that were intended to defraud the assured. The conditions are the outgrowth of litigation, and to get at the true history it would be necessary to follow the decisions of the courts for the past century. Dishonest insurers and assured brought about a line of decisions from the courts against which it seemed almost impossible to make an insurance contract that would hold against a dishonest claimant.

A rapid resume of the imperfect history of policy conditions as I have given them shows that the first policies were based upon honor, and probably the thorough knowledge the insurer had of the character and property of the assured. The first conditions show disagreement had arisen as to value and provide for replacement of the damaged property; then against over-insurance, hazardous occupancy, arbitration of differences, excepting articles of value not easily traced, or of values difficult to determine. Defining the interest, and so on down the long list as the experience of the companies somewhat dearly bought, demonstrated their need.

The increasing ill-favor of the courts, caused largely by the litigation brought about by companies of ill-repute, and by dishonest claimants, and the varying conditions of the forms of all the companies, brought about a culmination of a movement on the part of the leading underwriters for a statutory form of policy. Connecticut, under the pressure of its underwriters, in 1867 passed a law requiring a standard form, but the law was repealed in 1868. Massachusetts adopted the first statutory form in 1873, but it was unsatisfactory to the underwriters, and was frequently

modified until in 1887, when the present Massachusetts standard form became a part of the code. In 1886 the legislature of the State of New York adopted by statute what is now known as the "standard fire insurance policy of the State of New York." That form has been adopted by the States of New Jersey, Rhode Island, Connecticut, North Carolina, Louisiana, and the Dakotas. Massachusetts, New Hampshire, Michigan, Minnesota, Wisconsin, Maine and Utah have also adopted statutory forms, differing, some slightly and some materially, from the New York standard. In most instances these modifications are for the purpose of embracing existing laws, such as valued policy, and other idiosyncrasies of the legislative mind. However bad some of these conditions in the forms other than the New York standard may be, they were already a part of the laws of the various States, and the adoption of a uniform and statutory form of policy was a long step in the right direction. Before the adoption of the statutory form the position of fire insurance companies before the courts was bad, because the courts held the contract to be unilliteral, and to be strictly construed against the party making it. The statutory form has changed that. Its effect is well stated by the New York court of appeals, who say: "The act, chap. 488, of the laws of 1886, providing for a uniform policy known as 'the standard policy,' and which makes its use compulsory upon insurance companies, marks a most important and useful advance in legislation relating to contracts of insurance. The practice which prevailed before this enactment, whereby each company prescribed the form of its contract, led to great diversity in the provisions and conditions of insurance policies, and frequently to great abuse. Parties taking insurance were often misled by unusual clauses or obscure phrases concealed in a mass of verbiage, and often so printed as to elude discovery. Unconscionable defenses, based upon such conditions, were not infrequent, and courts seem sometimes to have been embarrassed in the attempt to reconcile the claims of justice with the law of contracts. Under the law of 1886, companies are not permitted to insert conditions in their policies at their will. The policies they now issue must be uniform in their provisions, arrangement and type. Persons seeking insurance will come to understand, to a greater extent than heretofore the contract into which they enter."

Again the same court says? "The policy in this case was a standard fire insurance policy of the State of New York and was issued under and in pursuance of a statute. * * * The claim that the limitations in this case was by contract can hardly be sustained. It is true it was inserted in the policy and was in the form of a contract. It was not, however,

made a part of the policy by virtue of any agreement of the parties, but by the command of the statute. The parties had no volition in the matter."

The Michigan supreme court, referring to the act establishing a standard form of policy, says:

"The act itself provides that it shall be such a policy as shall accomplish, among other things, brevity and simplicity, the avoidance of technical words and phrases, a fairness and equity between the insurer and the insured."

It is not necessary, and would take too much time, to quote more extensively from the decisions of the courts, to show the value to insurance companies of the standard form of policy, in those States where it is statutory. It is the law, and if its conditions are not complied with by the assured, the company can exact the penalty, unless it chooses to waive its rights. In the main the conditions are clear and unambiguous, easily understood by the assured if he will read them. In the event of his failure to comply with the conditions, he cannot plead the baby act and say, "These are onerous conditions forced upon me by the insurer," as the court replies, "it is the statute." Ignorance of the law is no defense.

That the value of the standard form to insurance companies is great, because of its uniformity, is shown by the fact that it has been practically adopted by them in those States where its use is not obligatory. Its effect upon the courts of such States has been beneficial, as many of them are now holding to a more strict construction of the contract than was the case before the general use of the standard form. They are no longer led astray by the plea of obscure phrases, great diversity of forms, hidden conditions, and many other of the old-time pleas of astute attorneys for the assured. But in spite of these bettering conditions, fire insurance companies have much to contend against when under the necessity to defend against some fraudulent claim before the courts in States where the policy form is not statutory. Old prejudices of the average judge and jury are against them. If the state makes the policy a statutory one, then the courts are bound by its conditions. Some old teacher of the law, Kent, if I remember correctly, said: "A statute must be construed literally."

Legislations are fearsome things to deal with. It is too much like playing with a half-tamed tiger. You may come out all right, but there is an even chance you will get mauled. Occasionally a legislature is elected that can be depended upon to deal fairly with insurance corporations. To me it seems important to make the effort to plant the standard

form upon the statutes of all the States, whenever the chance seems favorable. That, however, is a matter outside the province of this Association, and is for the managers and home officers to settle for themselves; but as most members of this Association not already managers expect to be in good trim, the thought may be worthy of your consideration.

[Applause.]

The President—Would any one like to make any suggestions in regard to the matter contained in Mr. Spencer's paper? Hearing none, we will take a recess until two o'clock this afternoon.

AFTERNOON SESSION.

The President—The first subject for this afternoon is the paper suggested yesterday, by Mr. Arthur M. Brown, on "The Use and Abuse of Sprinkler Equipments." I call upon Mr. Brown.

THE USE AND ABUSE OF SPRINKLER EQUIPMENTS.

ARTHUR M. BROWN.

Although so called equipments of various kinds have been in use for a number of years, beginning with the establishment on shingle roofs of rotary garden sprinklers with outside valve attachments, yet only comparatively recently have the modern equipments come into anything like general use. On this Coast especially there have been up to within the past eight years, but very few installations and most of us had known as little of their uses and advantages as the fireman at the Alameda sugar factory when their old equipment was first installed. This was before the days of high test heads, one of the heads in the boiler room was too near the stack, and on an especially warm day the combined inside and outside heat was too much for the head and it went off vigorously, much to the consternation of the fireman, who rushed out to the superintendent crying, "Mister Waters, Mister Waters, fer God's sake come quick, the biler's spurting cold water." Since that time, however, the growing manufacturing industries on this Coast have demanded the best protection possible and rapid installation of modern equipments has followed.

To one who has made any study of the question the remarkably small loss ratio on manufacturing and other establishments boasting so called equipments has been a source of amazement. All that was necessary was to put in any old sort of equipment, which was to be left without care and attention, and attach warranty that "the sprinkler equipment as at present established shall be maintained during the life of this policy," and the rating officials of the Board of Fire Underwriters with that undoubted wisdom which characterizes so many of their ratings, would grant a sweeping reduction in rate, the equipment and the rating

being automatic and firmly rusting together. But that Providence which watches over inebriates must also have had an eye on these equipments, for I can find from the records but one serious fire in plants so protected (?). The abuses to which these equipments were subjected were fearful and wonderful to behold. Many of them were "home made" affairs, some were partial equipment, others were complete and all were expected to work perfectly, though no care nor attention was given. New sections to buildings were added without extending the equipments decks, and half floors were added without protection; merchandise was piled solidly from floor to ceiling, valves were closed and never re-opened, risers equal to one hundred heads were made to do duty for twice or thrice that number and whole lines of heads were taken out, either to make room for shafting or to stop a leaky head, and were not replaced. But such plants on this Coast did not burn. In the other portions of the United States, however, the results of this negligence and criminal carelessness was very different, and the sprinkler equipment companies had so much to contend with in that direction that they established inspection bureaus of their own. These did such good work that the various insurance organizations throughout this country took up the question carefully and appointed their own inspectors, with results that have entirely warranted the expense. No such precautions were taken here until about two years ago, by which time quite a number of us had grown to know something of sprinkler equipments, their requirements and necessities for constant inspection, and our protests over the existing conditions, though feeble at first, gradually reached such proportions that the members of the board of fire underwriters established an excellent system of sprinkler equipment inspection. These inspections have been so thoroughly and systematically carried out that we can now form some definite ideas as to the efficiency or deficiency of sprinkler equipments.

On this Coast up to the present time the installation of equipments has been confined almost entirely to manufacturing hazards and of that class largely to wood-workers, not through the contention or belief that they would do more efficient service amongst that class, but for the reason, I regret to admit, that the peculiar ratings of the board of fire underwriters practically make such allowances to that class only as to warrant the heavy expense attendant on a modern installation. The success of the improved and revised old equipments and of the modern installations in our special hazards is unquestioned. There have been reported some fifty fires (doubtless there have been at least an equal number never heard of) extinguished by the opening of from one to five heads in each instance

without claim for loss against the insurance companies, ten which were extinguished by sprinklers with slight claims made and but three, all in wood-workers, where the losses were heavy or total. In the first of these, the Inman Paulsen mill at Portland, the fire started in the shafting in the unequipped basement, and necessarily had to burn through the floor before the sprinklers opened. Despite the start thus given the sprinklers held the fire under good control until long after the city's department arrived, but, the earth from around the city's eight-inch main had been washed away where it crossed a ditch, the pipe was tightly frozen, and after the water in the gravity tank ran out neither the sprinklers nor the firemen had any source of supply until the frozen pipe was thawed out, too late to be of service.

The second case, that at the Albion Mills in this State was most peculiar and demonstrated the necessity for sprinkling all portions of a valuable plant, if any parts are to be thus protected. The water supply to sprinkler equipment as well as to hydrant service consisted of gravity tanks. The fire started in an unequipped dry kiln, burned away from the mill through lumber yards, store and other buildings and by the time it had doubled on its tracks and attacked the mill the water supply was entirely exhausted. I am of the opinion, however, that even had the water supply been inexhaustible the interior mill sprinklers would have been of little value, not being arranged to withstand attack from outside fire.

The third case was that of a mill which had been closed down for two years, and no other details are obtainable.

This is the record here. Those of the National Fire Protection Association show that out of 3266 reported fires in sprinklered risks during the past six years there has been 94% successful operations and 6% unsuccessful. Of these 196, twenty-seven per cent, was due to defective or partial equipments, 23% account of water being temporarily shut off, 8% to inadequate water supplies, 8% to outside exposures and 3% to water supplies crippled by explosions.

I have given at perhaps to much length this resume of sprinkler records for two seasons, first to show that despite early faulty installations and lack of care sprinkler systems have been eminently successful in their workings on this Coast, second to emphasize if possible the advisability of using every reasonable effort to extend their use. Accustomed as we are to poor general construction of mill hazards and consequent high rates it is perhaps hard to realize the successful writing of cotton and woolen mills at rates ranging from twenty-five to fifty cents per annum,

yet tens and hundreds of such risks are so written in the Eastern States with excellent results. And the first consideration in such mills is a properly installed sprinkler system. By a properly installed system I mean one which is perfect in every detail and is subject to the most rigid inspection. These systems and their accompanying alarm installations are so complete that in many of the larger plants the watchman makes but one round to see that everything is properly cleaned up, spending the rest of the night in his office with his faithful annunciator before him. The dropping of any number indicates to him at once the seat of the fire and enables him to shut off the water from that section as soon as the fire is extinguished, as it is immediately in, as the records show, 94 times out of one hundred. It is a well known fact that the Middle West wood-workers were as unprofitable and even more so before the days of sprinkler equipments as they have been here of late years, and but comparatively few companies would write them at the prevailing rates of from five to ten per cent. Yet the installation of sprinklers and the inspection system of the factory association have so changed this that today these mills are being written by the association companies at rates as low as 1.60 for brick wood workers and 2.50 for frames. In a paper read before the Insurance Institute of Birmingham, England, by John Wormald, one of the best authorities in England on insurance statistics, he says, in speaking of these mills, "Notwithstanding the low rates at which this factory insurance association is writing risks, which but for the sprinklers would be termed hazardous, the business has yielded a magnificent profit."

In an address by Alfred Blauvelt, superintendent of surveys of the Western Factory Association, on the "Limitations and the Use of Water for Fire Extinguishing" he quotes as follows from a former address: "Extinguishment of fire by water requires that the water shall be applied with sufficient rapidity to take up the heat as rapidly as it is generated by fuel. Take a brick six-story jointed construction building 60x150 feet, mercantile tenantry. Here the floors and contents would reasonably weigh enough to freight a steamship, say 2000 tons, and burn within three hours, or, when well on fire, at the rate of twelve tons per minute. This calls for at least seventy tons of water per minute to quench the fire, or the capacity of twenty steamers, allowing for no waste. Good judges believe, and I think with good reason, that not one-fourth to one-tenth of the water thrown by hose is effective. At this rate eighty steamers and upwards would be required to arrest a general fire in a fairly large building. All there is about such fires, and many fires in smaller buildings is

that the fires are not put out." And then goes on to say, "How to supply water at and immediately around the center of heat, out of reach and out of sight, is the problem offered by nearly all fires in such buildings. There are so many buildings in which it is impracticable to apply water with ordinary hose streams, even if the exact location and extent of the fire could be known. There is also one point which you might well further emphasize, i. e., that in some of the very wide modern buildings it is impossible to reach the interior portions by hose streams and that a properly arranged sprinkler service will furnish the very best possible means for preventing fires where it is needed to overtake and control the fire. It is hardly necessary to note before this body the well-known self-opening action of sprinklers; that they open, not by fire, but by the spread of heat in advance of fire, and almost invariably succeed in getting a water stop to the spread of the most rapid and intricate fires." He then speaks of and recommends a system of empty pipes with open sprinkler head attachments to be used in direct connection with steamers, but says: "On the other hand, no such system obliged to wait for an alarm and the arrival of apparatus could possibly rival the effectiveness of good automatic sprinkler systems under inspection."

So much for the opinions of men who have spent years in the study of this very question. Let us look at the record in the East and West on but one class of mercantile establishments, namely department stores and large open stocks. The report to the National Protection Association for the six years ending May 1st, 1902, records 113 fires with consequent sprinkler openings in such risks. In all but three cases the fires were extinguished with little or no damage, and in those three the failures were due to defects in the systems. In the successful cases the systems, as I have before noted, were so perfect that the water was turned off with but little resultant change; and here it should be emphasized that a complete system entails the employment of constant watchmen when the store is left otherwise unoccupied.

A recent fire in Philadelphia illustrated another point in favor of sprinkler equipments: The building was ten stories in height, modern construction, office occupancy with the exception of the basement, which was used for merchandise storage. A heavy blind fire originating in this merchandise sent volumes of gases and smoke up the elevator shaft; these exploded at the fifth floor, causing another severe fire there, whilst the four lower stories escaped damage except from water. The adjusters reported that had the elevator shaft been equipped with sprinklers the explosion and consequent fire at the fifth floor would have been impos-

sible owing to the well known absorption by water of noxious and inflammable gases. This is confirmed by the January report from the Insurance Engineering Experiment Station of Boston, which speaks highly of the work done by automatic sprinklers as follows: "Since the introduction of automatic sprinklers we have had no recurrence of a most dangerous type of fire, never very common, but when occurring very destructive; namely, explosions of gaseous products generated by the previous slow and imperfect combustion in stock and in goods. The most destructive fires that have ever occurred within the experience of the factory mutual fire insurance companies have been either positively or with almost complete assurance traced to such gaseous products, reaching the explosive condition when mixed with the air, and then suddenly bursting into flame, to the complete destruction of the property. Such a slow fire in stock will generate heat sufficient to bring the automatic sprinklers into operation long before a sufficient volume of gas has been generated to become dangerous. Other slight explosive fires from small quantities of naphtha, such are necessarily in use in some occupations, and in other substances, have been frequently extinguished by the automatic sprinklers."

With this preponderance of evidence in favor of sprinkler equipments in large mercantile establishments of great area and immense values, the question is naturally, Why are they not installed on this Coast? Our merchants are as shrewd and as quick to take advantage of points in their favor as their Eastern brethren, but as yet there are practically no installations in such establishments. Why? The answer is plain and as underwriters do us no credit, viz: that the present rate schedules in force on this Coast do not make sufficient allowances for sprinkler equipments to warrant the heavy expense attaching. For example, the White House in this city. The building is five stories in height, 75x110, with an "L" 50x140, three stories high, both filled with stock of the highest grade and most susceptible to damage. The gross rate on this risk under the schedule is 1.72; with allowances for inside and outside stand pipes, for hydrant protection and watchman, and the usual deductions in that district for fire department and auxiliary alarm boxes, the rate is brought down to 1.12 as published. This is again subject to reduction for ninety per cent. co-insurance and the rate accepted and paid is ninety-five cents. Under sprinkler equipment the gross rate would be equal, the allowance for outside stand pipe, hydrant and fire department protection the same, but the allowances for inside stand pipe would be cut in half (why no one seems to know) and that for watchman done away with. Allowing for

these differences and using the same co-insurance the rate with complete sprinkler equipment, which includes watchman, would be ninety-five cents. In other words on this risk there is absolutely no difference in rate, sprinkled or unsprinkled.

On the Levi Straus stock, in a building 110x110 with addition cut off by fire wall with protected openings on each floor 40x120, each five stories high and full of valuable merchandise, the net rate at present with ninety per cent. co-insurance, but without watchman, is seventy cents. With full sprinkler system which compels the keeping of a night watchman, the rate, with the same co-insurance is 68 cents, a marvelous difference of two cents in favor of a sprinkler system and a watchman as against the risk at present without watchman.

But the worst example to my mind is that of Weinstock, Lubin & Co. at Sacramento. You all know it; a tremendous, open department store, full of galleries and the most inflammable of such stocks. The present rate in a town with only a medium fire department and without a fire patrol is, with the ninety per cent. co-insurance clause, 1.17. With a full equipment of sprinklers, which would effectually put out with but small damages any ordinary fire, the rate with the same co-insurance would be 1.16, a difference of one cent in rate in favor of the equipment.

(This paper was written before January 30th, and I had no idea that the truth of one of my examples would be so soon and amply demonstrated.)

It is not too much to say that had the Weinstock, Lubin store been properly equipped with sprinklers—in other words had the difference in rate warranted such expense—the companies would have been saved the greater part, if not all, of their loss. The fire, so far as we can learn, started in the basement of the annex, and the opening of a few heads would have effectually extinguished it. Even allowing that this were not possible, and for my part I am not prepared to admit this, the sprinklers would so surely have held the fire in check that the extending of the fire to the main building would have been out of the question. To quote from an excellent article by Brother Carey, of the Adjuster, with reference to this fire: "No increase in the rate can meet the hazard. There must be devised some improvement in fire protection and an insistence that it be applied. Any fire that starts at any time must be promptly and automatically extinguished. The absolute and thorough application of the automatic sprinkler system is the only thing that suggests itself to improve the situation."

So well are the benefits of sprinkler equipments becoming known to property owners that I firmly believe that unless we make proper allow-

ances for sprinklers, in large area mercantile establishments, or, better still, so increase the present rates for unsprinkled risks of this character that the expense of installation will be warranted, we shall soon find our merchants preferring the equipments to their present insurance. A few evenings ago a friend, who is at the head of an establishment placing about \$100,000 insurance, told me that they had decided to equip with sprinklers and do without insurance. In reply to the query as to why he did not keep both he said, "Your Rating Board does not give sufficient allowance to warrant the expense of both and after studying the question from all points we have decided that the equipment is more in our favor. The records show that in about 97 cases out of 100 (his figures are even closer than mine) the sprinklers would put out fires that might start and save both our property and our profits, whilst your insurance would simply recompense us for actual property loss and we should lose more in business before we could re-establish than the insurance would amount to."

It has been contended by many that sprinkler equipments were of little if any value; that they were and would be allowed to get out of order, that the systems were incomplete, water supplies not sufficient, and that in case of heavy fire the loss from water damage would be as great as that from fire. I can only believe that this is an abstract view and that its contenders have not given the subject thorough and detailed thought. Surely the records here, even when the systems were given practically no systematic inspection, show the falsity of the contention, and how much less there is to support it now. At the same time, it must be borne fully in mind that sprinkler systems are nothing more or less than additional machinery, and like all machinery must be carefully watched. If you will study the reports made by our sprinkler inspectors you will find that in many cases owners of sprinkler systems, versed in the old school of inattention, allow abuses to creep in and in some few instances the drastic remedy of abolishing the allowance for sprinklers has been necessary to bring them to proper view of the situation. These abuses are many, the more important being: building additions, decks and half-floors without extending the sprinkler system; cutting down from economical or other reasons of the water supplies, and shutting off the water from portions of the system, whilst repairs were being made and neglecting to re-open the valves. No manufacturer in his senses or with a proper eye to profit would attempt to turn out work with insufficient or damaged machinery, yet the same man will build an unequipped addition and expect the heads in the main building to put out a fire in the farthest

corner of the addition, or will build a half-floor, pile it full of merchandise or machinery, with the same conditions underneath and wonder why the insurance companies insist on that half-floor being properly sprinklered or while installing new machinery or making repairs, turn the water off of a line of heads and never think of re-opening the valves. The cutting down of water supplies is a dangerous abuse. Every system should have at least two automatic water supplies, in cities from gravity tanks and city water pipes, in outside risks from gravity tanks and automatic pumps. On this Coast where we have practically no intensely cold weather the gravity tanks should not be used for any other purpose, and one point of proper inspections is to determine if the tank tell-tales are in order. A sprinkler head under thirty pounds pressure from a gravity tank will throw thirty gallons of water a minute. You can readily understand that it is absolutely necessary that that pressure should be maintained in order to give efficient service. Other owners of equipments will experiment with the risers and shut the valves without reopening, others will white-wash their plants and leave the heads uncleansed, and many take out heads which may obstruct some new machinery without replacing them. Others, again, permit the piping to sag, or pile merchandise or place machinery so that it is more apt than not to break the piping or the heads, and in the northern part of this Coast, where there is some cold weather, the risers, throughout dry-pipe systems, are unprotected and, therefore, subject to freezing. The inspections made by our corps of inspectors do and will remedy many of these defects, but I think you will agree with me that it is essentially necessary that we should all thoroughly familiarize ourselves with the installations and workings of sprinkler equipments and be thoroughly prepared to point out defects which may come to our notice during inspection.

There is one manufacturing risk in this city where eight fires have been extinguished by the equipment during the past three years. These fires, in nearly every instance, resulted from carelessness or inattention, the owners feeling that with their equipment in proper order a serious loss would be impossible, therefore giving the condition of their plant but little attention. This is, undoubtedly, a serious abuse, for the general conditions surrounding an equipped plant should be as carefully looked after as though the plant were unequipped. This fact is realized by sprinkler inspectors, for I find several reports reading, "Condition of sprinkler system excellent; care and attention of plant poor." Any man who will neglect the general conditions of his plant will in time become careless with the sprinkler equipment, and the allowances for sprinklers

in such plants should be cut down, just as well as in those where the sprinkler equipments are not given attention.

Sprinkler equipments are increasing in number on this Coast, the reports of their workings have, up to this time, been thoroughly satisfactory, and I trust that the members of this Association will realize the necessity for the adoption of such measures as will permit their installation in all of our larger manufacturing and mercantile establishments, especially in those which would otherwise be outside of the reach of proper fire protection.

[Applause.]

The President—I would very much like to hear discussion on this important question. Can any member suggest something? If there are no comments to be made, we will go on to No. 11 upon the program, the report of the Committee on Insurable Interests. Some member asked me whether I could not get a symposium, as he called it, of opinions upon insurable interests, for the guidance of some of the younger members, and Mr. Sexton, Mr. Lowden and Mr. Faymonville kindly consented to construct a report, which Secretary Meade will please read.

GENTLEMEN:—

Our worthy President has called on us for a “symposium” on the subject of “The company’s liability in the case of goods held in trust for which the assured may be legally liable,” but, as the facts seem clear to us and as our views on the subject agree, we cheerfully lay before you this joint report.

First, we wish to call the attention of the members to the following Section of California Civil Code, which seems to be very explicit and which is in line with the decisions hereinafter mentioned.

The section referred to is as follows:

“2548. A carrier or depository of any kind has an insurable interest in the thing held by him as such to the extent of its value.”

We do not doubt that a warehouseman, mechanic, cleaner or laundryman, or anyone else who in a similar capacity accepts articles for cleaning, for repairing or for storage, becomes a “depository” under the provisions of this section, and has an insurable interest to the extent of the value of the goods, and that any policy issued to such a person cover-

ing goods "held by him in trust" would cover all articles taken by him in the course of his business or trade whether he had assumed specific liability thereon to the owner, or not.

The foregoing remarks apply more particularly to California, but the same theories and principles will, we think, hold good generally, as will be observed from the following decision reported in the Law Journal, volume 6, page 39. The decision is by the United States Supreme Court and is therefore, in its operation, applicable to all States in the Union. The decision referred to is entitled,

"Home Insurance Company vs. Baltimore Warehouse Company."

The syllabus of the case says:

"A policy of insurance taken out by warehouse keepers against loss or damage by fire on 'merchandise, their own, or held by them in trust, or in which they have an interest or liability,' covers the merchandise itself and not merely the interest or claim of the warehouse keepers.

"If the merchandise be destroyed by fire the assured may recover the full value of the goods not exceeding the sum insured, holding the amount received after satisfying their own loss, as trustees of the owners.

"Goods described in a policy as 'merchandise held in trust' by warehousemen, are goods entrusted to them for keeping. The phrase, 'held in trust,' is to be understood in its mercantile sense.

"A policy was taken out by warehousemen on 'merchandise' contained in their warehouses, 'their own or held by them in trust or in which they may have had an interest or liability.' Depositors of the merchandise, who received advances thereon from the warehousemen, took out other policies covering the same goods; held, that the several policies constituted double insurance, and that they bear a loss proportionately."

Under this decision, which strikes us as being complete and comprehensive, and as fully covering the question submitted to us, the policy not only covers the warehousemen or depositaries' interest, but also all interests in the property under the phrase "held in trust."

We are also of the opinion that the phrase "left with him for repair," would be held to mean the same as "held by him in trust," and that the additional phrase "or for which the assured may be legally liable," is superfluous, for under the statute and decision above quoted, the assured can recover for the full value of the goods whether he is legally

liable to the owner or not, provided his policy is written to cover property "held by him in trust."

Respectfully submitted,

W. H. LOWDEN,

WM. SEXTON,

BERNARD FAYMONVILLE.

The President—We have received some telegrams and letters addressed to the Association, which I ask Secretary Meade to read.

The Secretary—The first is a telegram from W. L. Chalmers of Portland, which reads as follows:

"Hope annual gathering is a success and that the dinner will eclipse all former efforts. Much regret for my enforced absence."

And also from Portland comes the following from Leon S. Rosenblatt.

"Congratulations and best wishes on your twenty-seventh anniversary."
LEON S. ROSENBLATT."

There is also a telegram from John Marshall, Jr., Chicago, President of the Fire Underwriters' Association of the Northwest, reading:

"The Fire Underwriters' Association of the Northwest sends greetings and best wishes for a successful meeting."

JOHN MARSHALL, JR., President."

That is all of the telegrams. I desire to state, Mr. President, that I have the name of a gentleman to propose for membership in this Association, that of Mr. Frank G. Smith, Special Agent of the London & Lancashire. Mr. Farnsworth proposes and I seconded the application.

The President—There was also an application made for Mr. W. O. Morgan of the Hartford, proposed by Mr. Whitney Palache, and seconded by myself.

Mr. Devlin—I move a suspension of the rules and the election of both of the gentlemen named to membership in the Association, Mr. President.

Mr. Lowden.—I second the motion.

The motion unanimously prevailed and Mr. Smith and Mr. Morgan were declared duly elected members of the Association, upon a ballot cast by the Secretary to that effect.

Mr. Sexton—Mr. Chairman, I wish to present the name of Mr. Sylvester G. Williams, of Denver, Colorado, as an honorary member of the Association, in consideration of the best paper, as I think, that has been read to the Association for a number of years.

Mr. Devlin—Mr. President, I heartily second that motion.

The President—It is moved and seconded that Mr. Sylvester G. Williams be declared and elected an honorary member of this Association. I am very glad indeed to endorse the suggestion, because I know that Mr. Williams spent a great deal of valuable time upon the paper.

Mr. Williams was unanimously elected an honorary member of the Association.

The President—I believe, Mr. Secretary, that you also have a letter to read?

The Secretary—Yes. This is the letter of Mr. Henry H. Putnam, of Boston, addressed to the President, and reads:

DEAR SIR:—

I desire to acknowledge the receipt of your invitation to attend the twenty-seventh annual dinner of the Fire Underwriters' Association of the Pacific on February 18. I wish it were possible for me to attend this meeting, and desire to thank you for the formal courtesy extended by you in sending an invitation.

Very truly yours,

HENRY H. PUTNAM.

The President—Next in order is the reports of special committees. We will first hear from the committee on President's Address and report of the Executive Committee. I call upon Mr. Devlin.

Mr. Devlin—Mr. Chairman, this report is rather short. I will first read the committee's report upon the President's Address. It is as follows:

GENTLEMEN:—

Your committee appointed on the President's Address begs leave to report as follows: Your committee recommends that a new committee be appointed to edit and publish the papers on losses heretofore printed in the Proceedings of this Association, but that the question as to whether

this Association can afford the expense thereof, and how such papers, when published, shall be distributed, shall be left to the Executive Committee, with full power to act.

Your committee is not in favor of establishing branch libraries, believing that it would necessitate the placing of some one in charge of such libraries, and would likewise require the expenditure of a considerable amount of money for new books, as duplicate or triplicate sets would have to be purchased in order to furnish such branch libraries.

Respectfully submitted,

WILLIAM SEXTON,

CHARLES O. SCOTT,

FRANK J. DEVLIN, Chairman.

And the report upon the recommendations contained in the Executive Committee's Report is as follows:

GENTLEMEN:—

Your committee to which has been referred the report of the Executive Committee of this Association begs leave to report as follows: That a new vote be taken upon the date of meeting, as the last vote taken showed a considerable difference of opinion as to when the annual meeting should be held, and your committee believes it would be best to submit the two dates receiving the highest votes and ask the members which of these two dates they prefer, viz: the second week in January or the third week in February. Your committee notices that \$175.55 were expended last year on the library, and your committee would recommend that a limit of \$50 per year be made for the purchase of new books, and your committee suggests that digests only be purchased from now on, as the members have little time to read the text books on fire insurance. Your committee is not in favor of associate memberships, believing that this would not be a wise method for our Association to pursue, although the committee desires to assist, as much as possible, the younger men in the insurance business, and your committee therefore recommends that the use of the library of the Association be allowed to the members of the Insurance Clerks' Association.

Respectfully submitted,

WILLIAM SEXTON,

CHARLES O. SCOTT,

FRANK J. DEVLIN, Chairman.

Mr. Kinne.—I move the adoption of both of the reports, Mr. President.

Mr. Folger—I would like to ask the Chairman of the committee who read the report rather rapidly, whether the effect of the adoption of the report would be to change the date, or only to obtain the sense of the members? If a majority should vote in favor of this motion, do I understand that the President would then be called upon to change the date?

Mr. Devlin—I think it would be.

Mr. Folger—Then I would be in favor of it, and I second the motion.

The motion was unanimously passed.

Mr. Folger—Mr. President, are you prepared to receive the report of the Committee on Reinsurance at the present time?

The President—Yes. That report is now in order.

Mr. Folger—I ask leave, Mr. President, to read the report, and then make some comments upon it.

San Francisco, Cal., February 18, 1903.

GENTLEMEN:—

The undersigned were constituted a joint committee, by the Board of Fire Underwriters of the Pacific and the Fire Underwriters' Association of the Pacific, to endeavor to prepare a Reinsurance Agreement which might be acceptable to the majority of the companies doing business on the Pacific Coast. The preliminary report submitted to the annual meeting of your Association in February, 1902, proved to be too complicated and lengthy for the purpose, and the committee now submits in its place the following proposed agreement, believing that sufficient signatures to it can be obtained to lay the foundation for uniform practice in dealing with reinsurance transactions.

PACIFIC FIRE REINSURANCE AGREEMENT.

"It is agreed by and between the undersigned fire insurance companies that the following rules shall govern reinsurance transactions between them, affecting business written through their Pacific departments in such localities as shall be named after the signatures of the companies respectively.

"Rule No. 1.—If a policy under which reinsurance has been effected, be cancelled, and a new policy issued in lieu thereof, the reinsured company shall notify the reinsuring company of such re-issue as soon as practicable and the reinsuring policy shall apply thereto from the date of re-issue. Failing such notice, the reinsurance shall attach to the new policy for not more than twenty days beyond the date of cancellation of the original policy.

"Rule No. 2.—If an error or omission be made by the reinsured company, as to the location of a risk, and a fire occur, the reinsuring company shall be liable in the correct location for an amount representing the difference between the amount of the reinsuring policy and the liability, if any, which the reinsuring company shall already have in the correct location, under other policies.

"Rule No. 3.—If a reinsured policy be reduced in amount, and a loss occur before a new arrangement has been made with the reinsuring company, the amount of the reinsuring policy shall be reduced in the same proportion. If there are reinsuring policies from more than one company, and cancellation or reduction of one or more of them has been effected in consequence of such reduction, the remainder of the reduction shall be applied pro rata to the reduction of the remaining unreduced reinsurance policies, and of the net amount retained by the reinsured company before the reduction of the policy was effected. This rule shall apply whether such reduction be made by endorsement, renewal or re-writing."

Respectfully submitted,

CESAR BERTHEAU,
BERNARD FAYMONVILLE,
W. H. LOWDEN.

Com. Board of Fire Underwriters
of the Pacific.

HERBERT FOLGER,
F. B. KELLAM,
WHITNEY PALACHE.

Com. Fire Underwriters' Association
of the Pacific.

Mr. Folger—I ask leave to add, Mr. President, that even this has not been arrived at without great difficulty. The report submitted to this Association last year, in print, I think must have covered twenty pages, and it proved impracticable to have that generally signed or accepted. There were some fourteen rules contained in it. Some two weeks ago, one of the members of the joint committee prepared in typewriting a reduced set of three pages or more in length, and submitted that to another member, who reduced it in turn to one page of typewriting, which

is in effect what has been read to you today. I am not even prepared to report to you that the six members making this report believe that this is in final shape for adoption by the companies. But it is the understanding that if this is adopted today, it shall be considered by these committees at an early date, and put in shape, and it is reasonable to suppose that it will be signed, in any event, by the six offices represented on the two committees. One of the signers has urged against this report that it did not include as Rule 1 an agreement that every company shall hold the risk covered pending renewal of its reinsurance policies for ten days after expiration. A second signer urged against Rule 2, that it does not allow transfers to a new location without notice which, in his opinion, would be valuable. A third signer objected that the net reduction clause is not made a part of the agreement as to companies placing reinsurance. A fourth signer thinks it is material to include something about general reinsurance, and so on. Whether any or all of these features can be included in the agreement, I am not prepared to say; but I will close by adding only that the purpose of this Association as expressed I think by Col. Kinne, many years ago, has been to bring not only some good into the business, but some practical good, and it is quite immaterial, as I see it, whether we secure a rule of five lines, signed by forty companies, or one made up of fourteen or fifteen rules. If the foundation be laid and be accepted by the leading companies, it is comparatively easy to get something more, and in the history of the Association's work in the past twenty-five years, this is the fourth or fifth important matter which has been taken up actively and carried on until it has been concluded by the Association. I think I may say for the committee that we shall continue this work until we get something, if it only be three lines or more. In behalf of the members of the committee, I move that the report as presented be adopted.

Mr. Devlin—I second the motion.

Mr. Sexton—Mr. Chairman, it is rather difficult to get hold of a matter like this on the first reading, and how are we going to adopt such a report as this, when, as I understand it, the members of these commit-

tees have been working on it for a year and do not agree upon it?

Mr. Folger—I will ask the gentleman to amend his remarks by saying that they do not agree that this is enough. They agree that this is good, as far as it goes, but they would like more.

Mr. Delafield—Mr. President, isn't this rather more a report of progress than anything else? Isn't that what you mean, Mr. Folger?

Mr. Folger—Practically. I certainly need not say that if this Association adopted this report it would have no effect in a business way, not until the signatures of the managing officers are appended to it, and the territory is defined. Until that time of course it would have no weight as to being of binding force.

The President—The motion is that this report shall be adopted by the Association, and shall be circulated for signature, as it now stands.

Mr. Folger—I think perhaps it had better read that the report be adopted by the Association and the committee continued, and that would leave the committee free to go on the best way it could.

Mr. Sexton—I think we can get out of it by having the report received, and copies printed and handed to each member.

Mr. Kinne—I think further that before handing it around for signature there should be some practical consultation with the Board of Underwriters. I do not think this Association wants to hand rules that we may think to be good, around for signature, without going through the proper source. We are simply an adjunct to the Board of Underwriters; we can advise and they can do lots of things, but we cannot do anything, practically. It seems to me we should be a little bit careful, as I said yesterday, in reference to another matter. Furthermore, there is that third clause that was read twice; I would like to have it read again. I do not know as this Association ought to adopt that as the sense of the Association, even for the purpose of handing it to the Executive Committee of the Board of Fire Underwriters. As I understand it, it might cause a reinsuring company to be placed on a risk in a certain portion which might be prohibited in fact in their own office. That certainly ought not to prevail in any sense of the word.

Mr. Folger—May I speak again, Mr. President? The gentleman must not overlook the fact that this is a report of a joint committee, or you might say, two committees in one of this Association and one of the Board of Fire Underwriters. Going back to the history of this work originally, ten years ago this Association procured from England for confidential use a copy of an agreement of great length, which had already been in use for twenty years in England, for the conduct of all reinsurance business. The report presented to you last year was an Americanized edition of that long agreement, and following out the theory laid down by Colonel Kinne correctly, that this Association could not act on a matter of this kind finally, the Board of Fire Underwriters of the Pacific was invited to appoint a committee, which was appointed by its Executive Committee with power to represent the Board, in the preparation of an agreement, and that committee has acted with our committee, and the two committees together, have brought in this report. So far, therefore, we appear to be entirely in order in the action taken, and, speaking for both committees, I feel safe in saying that no further action will be taken until a meeting of the joint committee has been had and this agreement put into final shape. When that has been done, it is reasonable to suppose that the approval of the Executive Committee will be asked, but it is also reasonably certain that the Executive Committee of the Board will decline as a body to endorse this or any other reinsurance agreement. I had the honor to be Chairman of that committee some two years ago, when it was decided that the Board could not wisely undertake to create rules for the conduct of reinsurance, unless they were agreed to unanimously by its members, and I think the committee has no hope now that this agreement will be unanimous. Therefore, when circulated it will be circulated by committees of managers among their own number, entirely apart from the Board.

Mr. Kinne—About the other matter of liability, I wish you would say something about that.

Mr. Sexton—My motion was that the report be received, printed, handed around to the members for criticism, and that the committee be continued.

Mr. Folger—I accept that.

Mr. Kinne—I second the motion in that shape.

Mr. Lowden—That would postpone action for a year. Is this committee granted authority to obtain signatures and to carry it to a conclusion?

Mr. Folger—I so understand.

Mr. Lowden—If that is so, that is correct. That is the way it ought to be done.

The question was then put by the President and carried unanimously.

The Secretary—Mr. President, I would like to ask Mr. Devlin in regard to the committee's report upon recommendations that was presented at this meeting. In that report I note: "Your committee believes that it would be best to submit the two dates receiving the highest number of votes and ask the members which of those two dates they prefer, namely, the second week in January or the third week in February." Is that to be done as it was last year? And a time set to have it closed?

Mr. Devlin—No; to be left to the Executive Committee.

Mr. Folger—I will move that the Secretary be instructed that the vote as received on July 1, 1903, shall be tabulated, and unless a two-thirds vote of the members voting shall have been expressed in favor of the change of date, the annual meeting in 1904 shall be held at the usual time.

Mr. Kinne—I second that motion.

Mr. Watt—I would like to say a word upon that question. I have no objection to the motion made, except that it seems to me very important that we should change the date of this meeting. I have observed this year the number of men who were here for the holidays, and are not here now, and I am satisfied that the attendance would be largely augmented by a change to the second week in January. I will move an amendment, that a majority vote may settle the question—that a majority of the ballots sent in shall fix the date, making the amendment a majority instead of two-thirds, as the original motion provided.

Mr. Kinne—Speaking for the original motion, I do not agree with Mr. Watt in regard to the idea of changing the time of meeting, and, so long as there was so very little difference in the ideas of those that voted, the report was received here today regarding the matter and was laid over for a further and future ballot. The matter has received attention, and the different ones interested can use their endeavors, if they desire to do so, to have the date remain either as it is, or to be changed to January. But by a bare majority of one, it does not seem to me that the practical and advantageous meetings that we have had for so many years should be changed. It seems to me the motion of Mr. Folger is certainly a proper one. If you do not want to make it two-thirds, make it somewhat less, but to permit a mere majority of one seems to me to be entirely improper. Many of the ballots that are sent out will not be returned. Perhaps a motion might be placed in this way: A majority of all the members of the Association in favor of changing. As it is now, it is a majority of those that vote. This is one of those matters that it is evident on its face will not receive the attention that it deserves. I do not believe in changing the date at all. We never get the information we desire to receive regarding loss ratios and premium incomes, and everything of that kind, until along in February. The Coast Review and other insurance journals are glad to publish them, but they cannot obtain them in the middle of January. In fact, lots of us do not know ourselves just "where we are at" on the 15th of January. I argue that we should get all these matters compiled and in such shape that we can come here, and if we have any suggestions to offer about loss ratio and expense ratio, income, and all those things, make such suggestions, and then we will have a chance to at least think about the matter, in case we want to bring it up. That is one of the reasons why I believe we ought not to change the time. It certainly seems to me that a majority of the votes cast in different States, and the way the members of this Association might conclude about it, or possibly, might conclude under the advice of the manager, should not go with us; if you make it instead two-thirds, or, if that is deemed too great by Mr. Watt, make the motion that a majority of all the members shall change the date, that will be all right.

But, as I said before, to have a majority of those that happen to take the time to vote, I do not believe that is right. We have done very well for a great many years under the plan that we have pursued here, and we ought not to change it lightly.

Mr. Watt—I have discussed this question several times in years gone by. But, as it appears to me, we have learned from experience that the holidays is not the best season of the year in which to do special work. Men cannot do much of anything on the road from the 20th of December until the middle of January. There is a little period in there when everybody wants to have a good time, and they do not care much about business, and nobody has to work very hard except the accountants. At that time the field men can be spared, they come into town, and most of them like to come to San Francisco. They are here for a week or ten days or two weeks, so that the meeting could be conveniently held at that time. Then they could go back into their respective fields of labor and keep on with their work continuously, whereas now, just about the time they get down to hard work, you call them in for this meeting, and many of them are unable to be here because they cannot come from Utah and Montana, from Idaho and Washington, and from Oregon and Nevada, in the middle of February, just after they have started on their new year's work. I cannot see that anybody will be inconvenienced if the change is made. We do not discuss loss ratios and expense ratios and the results of the previous year's business here, but we deal with general matters, as will be proven by an examination of our minutes for the past ten years. I believe the change will be advantageous, and I believe it will receive a majority vote. It is as easy for Colonel Kinne or myself to come here at one time as another, but it is for the men off in the far district fields that this date should be changed.

Mr. Folger—The total number of members of the Association is two hundred and seventeen. The vote cast upon the subject last time was one hundred and fifteen. A majority of all the members of the Association would be one hundred and nine. Therefore the last suggestion made in good faith by Colonel Kinne would hardly be a satisfactory way

of solving this difficulty. On the other hand, the votes in favor of the month of January amounted to practically seventy out of one hundred and fifteen, and it is probable that all of the seventy would vote for the second week in January, if it narrowed down to some week in that month or some week in February. Therefore on further consideration, and on looking over the votes cast the last time, which the Secretary has allowed me to do, and believing that it would not be fair that a bare majority should change the date of meeting of those voting, and believing that a large majority of those who voted from the Northwest voted for January rather than February, I think it better to leave it as it was originally drawn, that the vote should be two-thirds of those voting, instead of one-half.

Mr. Kinne—That is the motion I seconded and I am perfectly willing to let it stand at that and withdraw the other motion.

The President—Before the motion is finally disposed of, I would like to say a few words as a special agent. I believe that most of the managers have spoken before. I was in the Northwest this year, and while I was there I was consulted regarding the Association a number of times by the specials there, and I found out that quite a number never had attended a meeting of the Association, never had been able to. They thought that about the only thing they could do was for the entire membership from the Northwest to withdraw from this Association and form one of their own. I only repeat what was told me for your benefit. Now, if you are ready for the question, we will vote upon it.

The motion unanimously prevailed.

The President—I believe there is a committee out on the cancellation problem. But as I do not see Mr. Delafield we will pass that matter for the present. If there is now nothing further, we are ready for the principal event of the meeting, the reading of the Knapsack. Yesterday we had read before us a letter from Mr. Grant, regretting his inability to be here, and I think that probably we regret it a good deal more earnestly than he possibly can. However, his place upon this occasion will be very acceptably filled by Colonel Kinne, who, I might state incidentally, was the father of this important and interesting part of our program.

CALIFORNIA KNAPSACK.

GEORGE F. GRANT—EDWARD NILES, EDITORS.

Vol. XXVII.

FEBRUARY 18, 1903

No. 1

Mr. Kinne—Gentlemen, I can only say that nobody regrets the fact that the Editor and Assistant Editor of the Knapsack are neither of them here, any more than myself. As both of them are absent, and neither of them have prepared an editorial, you have to take the Knapsack just as it was handed me. I was only requested by our President yesterday afternoon to read what had been placed in his hands for the Knapsack, and, taking the interest that I always have in its production from the very commencement, and being practically responsible for its present and future prospects, as well as the past, it did not seem to me to be at all immodest if I accepted the detail that he placed upon me. Various articles have been handed in by different members, and omitting, as I said before, the customary editorial, I will begin to read:

Two business men, one a prominent banker and the other an insurance man, were about to part to take up the day's work, as their car reached the corner of Montgomery and California streets.

"Well, take care of yourself, Charley," said the insurance man to the banker, "and don't take any bad money."

"That's no more than you do," retorted the banker, "you take bad risks every day."

And the conductor rang up another fare in his confusion.

Over in Montana, last spring, it was raining to beat Mount Ararat. The agent sat drumming on the window-pane. I was enclosing a report, and a few storm-stained inspection blanks, to San Francisco, when he suddenly turned and said:

"Say! Laibey is expected by today's train. I have two letters and a package for him. Can't we invent some kind of a joke to scare him?"

Adjustment, or a call home, or something?" and from that suggestion of conspiracy we racked our brains like two kids, to do Laibey up.

"Make up a fake daily report and take his breath away, or better still, write it in the register, and let him find it."

"The very thing; I have a policy to enter up, and I will put the fake in first—now get to it." It read like this:

THE MOUNTAIN MEADOWS CREAMERY CO.

\$1000—On frame creamery building and all improvements, platforms, sheds, and their additions, while on the premises of the assured, and adjacent thereto, situate eight miles north of Pony Station, township thirteen north, range thirty-two east, in Lewis county, and

\$ 500—On machinery, tools and implements incidental to their business, including tubs, vats, gravity drains, rotary scuppers, centrifugals, and all belting, gearing and hangers, while contained in or on said buildings, and

\$ 250—On stock, consisting principally of milk, cream, seperine, dyes and chemicals, their own or held by them in trust, or not delivered, all while contained on premises as described in item No. One of this policy, and not otherwise.

Loss, if any, payable to the Mount Pleasant Implement Company, of Shudus, Illinois.

It is understood, that the buildings stand on leased ground, being a five-year lease to expire on July 3rd, next.

Permission granted to remain idle during the months of December and January. Warranted by the assured that not more than one gallon of gasoline shall be kept inside the building while the works are in operation.

Permission for acetyline gas machine of the Globe make, provided that not more than two pounds of carbide be kept within the building in metal cases near the door, at any one time."

When we had finished the entry in the register, it did not seem very funny, so we conspired some more:

"Let's fix it so he will have to inspect it."

"Great idea, but how?"

"Why, a letter—typewritten, you know."

"How about the signature?"

"I forgot that—well, let's see—a telegram."

"That's it, we can manage a telegram."

"Tell him to cancel the risk at once."

"There is no post office over there; you can't go, and if he wants to cancel he will have to go over himself."

"Lord! what a ride through the rain and the mud."

"We can manage the telegram all right; any blank will do, and here is an old envelope addressed to me, in pencil; I can fix that."

"Oh! won't he kick, though. That ride is enough to kill a man."

"Say, I'll tell you what let's do—put up a job with the messenger, see? The messenger goes over for the policy; it costs ten dollars to send him, paid in advance, see?"

"Oh! that's the best of all, paid in advance."

"Then we take the ten and go to the restaurant, and have all the luxuries—two large bottles included. You pay the bill, and then we tell him."

"I'll tell you what we had better do, get that fellow that takes the part of the messenger, to bring the telegram in soon after the train comes; that's the best way; it will seem more natural. You go out now and post him; time is getting short; and say, stop in and tell the restaurant man to put it on ice. We won't go near the train, or the hotel. Laibey will come right over here. By Jove! ain't it lovely? I can't wait—don't you laugh now—don't crack a smile—he will drop in a minute if you do. I never had so much fun in my life," and so we two conspirators hatched out the plot.

The train came in on time; we watched for Laibey making for hotel, with his grip. Just then the messenger boy came in with a telegram.

"Go back! Get out of sight! You are here too soon. Where is the messenger I fixed it up with, anyway? Can't you answer? What are you doing here?"

"Well," said the boy, "I have a telegram for you and I want a receipt for it."

"For me? Let me look! Why, so it is! Well, I am blessed! Listen to this: 'Have changed route, send mail to Butte, care Thornton Hotel.'" [Signed] "Laibey."

After a long silence, I said, "We will now go to dinner—it's my treat."

Postscript: The Knapsack offers apologies to Mr. Branch for the termination of this story. It seemed to be the only way to tell it without an anti-climax.

AN ACTUAL EXPERIENCE.

A heavy stage coach, loaded to the guards with passengers and miscellaneous freight, drawn by six tough, wiry horses, was leaving Stites, Idaho, for Grangeville, early in the spring.

It was six o'clock in the morning, and the roads were muddy almost to the point of being impassable. Just after leaving Stites the road led straight up the mountain for five miles, and it seemed almost impossible that the horses had the strength to pull that heavy load through the deep and sticky mud which constituted and was called a "road."

It had been raining for some weeks, and the road formed a sort of sluice for the tons of water that had fallen on the mountain, and as the driver remarked, it was a "fright."

It was the writer's fortunate privilege to share the driver's seat, and to have the opportunity of studying the landscape, and also the type of man who handled the ribbons. I fancy he did not differ materially from the average mountain stage driver, and a short description of him will possibly fit them all. A man of average height, medium build and uncertain age, wiry and active. A week's growth of fiery red beard covered his chin, and his face was tanned like a piece of leather from exposure to all sorts of weather. His eye was bright and alert, and one glance sufficed to convince you that he knew his business, and was not one to be trifled with. He wore overalls, a woolen shirt, high heeled boots and a soft hat that might have been any shape when it was new. He was the busiest man in the county as he piled on and roped the trunks, boxes, mail, etc., on this particular morning, and as it was late, and he had an unusual amount of express and other matter, it was easy to discern that he was in no amiable temper. At last everything was ready, the passengers got in, the driver climbed into his seat, and, after biting off a generous chew of tobacco, gathered up the reins and with that peculiar vehement tone which is only acquired after long practice exclaimed,

"George! Charley!! Get!!" and with a crack of the whip at the leaders the stage moved at a slow pace through the mud after much straining of the horses, and we were off.

The driver's name was "Mac." At least that was what everybody called him; and although he was a man apparently without education, his conversation was bright and entertaining. His capacity and versatility for profanity however, was a revelation. When urging his horses he was at his best in this branch of literature. He would suddenly drop his conversation, and with a crack of his long whip, would launch out with a five-minute torrent of abuse at "Charley," mingled with a string

of profanity that, although original, it might have been amusing had it not been almost horrifying.

Some of the grades which we were obliged to ascend were at such a degree of steepness for a short distance that it seemed almost beyond belief that the horses would ever be able to get over them, but at the request of Mac the passengers walked in the mud, and by dint of much swearing on the part of the driver, and hard pulling on part of the game little horses, who strained at the tugs with their bellies almost touching the ground, the stage proceeded by inches with the wheels buried to the hubs in the black, sticky soil.

It was certainly an exhibition of tireless energy and gameness in the horses. For three hours they toiled, slipped and struggled up that steep mountain side, and finally landed us at the top of the grade, blown and worn out, their heads hanging, covered with mud, and dripping with perspiration.

Here the driver stopped them for a rest, and alighting from his seat for what seemed to be for the purpose of giving them a well-deserved caress and a kind word of encouragement.

But his motive in alighting was of an entirely different nature.

He backed off a few paces from the tired beasts and addressed them at first collectively.

"You low-down ornery cattle," he exclaimed, "You pore mean, scrubby, useless, blankety blank — — !! cayuses!" And for a few minutes his flow of modern eloquence and adjectives almost turned the adjacent atmosphere blue. Then he began with "Charlie," one of the leaders, in an individual heart-to-heart talk, ending with: "I'll teach you to shirk, you — —," and a resounding kick in the region of "Charlie's" solar plexus that made the poor animal grunt and cower under the punishment. "George" and the rest of the horses had their turn of abuse and the usual kick in the stomach, and having regained their wind, Mac ascended to his seat, cracked his whip, and we moved on.

I presume this little performance was a usual daily occurrence and was enjoyed by the driver as a matter of pastime.

I did a heap of thinking during this tirade, but said nothing to Mac, because if his versatility in "cussing" extended further there is no knowing what he might have called me. I should certainly have put it down in my memo book for reference at some future time when I wanted to call an enemy something real bad.

After about fifteen minutes of thoughtful silence, I handed the driver a cigar and said:

"Mac, haven't you got some horses who can't or will not refuse to pull up that grade?"

"Well," he answered, "we have some in the barn, but they are no good on that hill. They ain't strong enough, I guess; so we have to put 'em on lighter work. We feeds them grain and oats, but can't afford to give these critters anything but hay."

I sat in the rain, chewed the end of my cigar in silence, and thought, and thought, all the way to Grangeville.

A well-known local artist, believing the large accumulation of paintings in his studio should be protected against the ravages of fire, sought an insurance office on California street and made his application. The polite clerk took a description of goods and location and filled out an application. The amount was rather large under the circumstances, and so a surveyor was sent around to interview the artist. After a look about the studio, he informed the applicant that his company could not take so heavy a risk on the property.

"Why," said the artist, "that's not too much. Just look at all these canvases!" with a sweep of the hand indicating the well-filled walls.

"But, my goodness, mein frent," returned the careful surveyor, "I know that, but you haf painted on them!"

We were bound for Gray's Harbor. It was winter, gusts of wind, loaded with wet, warm rain beat at the car windows; inside the car such comfort as tobacco gives, made the passing hour one joyous cloud.

"When we get to Aberdeen," said "Dix," "we can have a Turkish bath, regular Hammam, you know; there is a restaurant called the Poodle Dog; good stuff too, French chef, and everything. We will leave our grips at the office, dine at the Poodle Dog, take a rest at ten or thereabouts, and sleep on the premises; bed-rooms adjoining the bath. How does that hit you?"

"Luxurious," I said, "we can't reach Aberdeen too soon."

So we carried out the program. First we went to the office and enlisted the interest of "Phil." Phil has the happy faculty of making things go; he knows everybody, and is in on everything, from the ground floor to the garret under the eaves.

Phil told us that the Poodle Dog had starved to death. It was too good to last. The cupboard was bare, and so the poor dog had none,

see? Old Mother Hubbard could not produce, and the sheriff got the bone.

Then Phil telephoned to the Hammam bath man. I only heard half of the dialogue, but I knew obstacles were being overcome, one by one, until the final "all right, good-bye," scored a victory.

There was one exclusive bed-room available, and a cot in the room adjoining; and right here, was demonstrated that best of all good things—breeding—true blue breeding—born in the body. For the exclusive bed-room was forced on me. I passed lightly over the hours sacred to the society of those two good boys; they simply gave me a treat, mental, physical, gastronomical.

At length we arrived at the place of the bath; I did not at first know this, for we entered a saloon, but when we handed out money, jewelry, love letters and other valuables, to the man behind the bar for safe-keeping, I mentally said good-bye to my watch; it was a present from mother, and I hated to lose it. We then passed through an archway into a parlor, or social hall. Here a long-haired gentleman was playing the piano. He was somewhat overcome by the exercise, and had removed his coat to get better arm play. It proved to be an accompaniment he was strumming, for a slight, boyish figure, clad in a long ulster, and with a slouch hat hiding the greater part of his interesting face. The boy sang in a voice which I cannot possibly describe, and which would be money in my pocket if I could imitate. The title of the song I do not know, but by the continued references to the subject, I infer it was, "In that good old summer time." The audience gave respectful hearing and generous applause. My impression of the audience is vague; I saw only hats and boots, arranged in a semi-circle, on what looked like men.

Then we went up a staircase that wound around the piano to the floor above. All attempt to create the impression that we were in a palace of light, luxury and beauty, was confined to the first floor; upstairs was like any old hotel on the road—nothing fresh—nothing new—too much air here—too little there; so I went to my exclusive room, merely glancing at the crowd about the roulette table next door. As I passed, I took note that no lock of any kind was on my door, but that a dumb waiter communicated with the saloon below, convenient to my bed. What will you have? I asked myself. A little fresh air, I replied.

Wrapped in a blanket, we entered the bath-room, 12 x 12, furnished with two chairs and a stove, and near the stove a huge pile of wood, a nude figure, clad only in a towel as to the loins, pattered about and alternately fed the stove and served us water. I took him to be the rubber,

but he was only the stoker. He kept a watchful eye on a thermometer.

"How much is she now?" I asked.

"One-forty," he replied.

"How high do you want her?"

"One-eighty," and he piled on wood.

"Do you think McKenzie saw this room when he specially rated this building?" asked my companion.

We talked of books and authors, of music, art and the drama, and always we wiped the perspiration from our eyes.

Twenty minutes and I could bear no more; then to the "tepidarium," and a dark brown rubber, six feet tall. This giant laid me on what appeared to be about half a billiard bed, a slab of stone.

It was not a new sensation—I had been through the motions before, but not like this—it was strenuous. I thought of the line in Macbeth, "Out damned spot," and wondered if he wanted me to go out through the slab. Up one arm and down another, now the second joint, then the drumstick; turn over and ride a cockhorse up and down the back bone; turn over again and rub the stomach of me as if it was a mistaken entry that had to be erased. Finally since it proved to be indelible, throw him into the cold shower, and let it go at that. By this time, the giant was breathing hard and nearly spent, while the stoker in the towel stood spellbound, watching with intense interest every move—he was a pupil—he aspires to be a rubber. And now, to bed, clean and sweet and limp; at once calm, healthful sleep floated me to the unknown world of silence.

But hark! what sound is this? Is it a fairy chime, or a celestial choir? With open eyes I see the dumb waiter, with open ears I hear the following:

Plunkety plunk—plunkety plunk—plunkety, plunkety, plunk, plunk, plunk.

It is the piano again, and again the singing boy; the clock strikes two.

Again to sleep, and again to wake. This time it is a "brogue" telling a story, and dancing a rag-time jig. The clock strikes three.

When the clock struck four they were having some fun with the telephone, and joshing Central.

After that more piano—more song—more story.

The next time I woke was daylight. I wandered into the room where the cots were, and picking out my comrade, said:

"How did you —?"

"Not very well," he answered; "it's only nine o'clock; let's take a nap."

So we took a nap.

When we recovered our valuables, the man said, "I hope the boys did not disturb you last night."

Our Mariar Jane is missin';
Skipped into the silent hence;
Lit the kitchen fire with naptha
And she hasn't ben-zine since.

I had been very patient with the claimant; his loss was by smoke and water, on restaurant fixtures and furniture. He was as intelligent as a chimpanzee, and as pliable as an iron pig. After hours of good nature on my part, and futile endeavor by him, we agreed. I had barely commenced on the proof, when he ran in saying, "I have something else to show you."

"What is it now?" I inquired.

"The range," he replied.

"The range?" I repeated, "Why, we have tackled that thing twice; what's the matter with it now?"

"Come back and see," he answered; and back we went, on through two or three doors to the back yard, where, with his hand raised, he pointed to a galvanized iron cap rising eight or ten feet above the brick flue, where it was placed to insure good draught, when the wind was not from the proper quarter. I stopped and looked, and the following conversation took place:

Adjuster—"Well, what is it?"

Assured—"That iron pipe on the flue."

Adjuster—"That isn't in the building, and besides, it is not furniture and fixtures."

Assured—"It is part of my range; I could not use my range without it."

Adjuster—"Well, it's still there, isn't it?"

Assured—"Yes, but it is damaged."

Adjuster—"Damaged? How?"

Assured—"Why, the firemen threw water on it."

Adjuster—"Well, what if they did?"

Assured—"Why, it will rust."

Adjuster—"Don't your pipe ever get wet when it rains?"

Assured—"Yes, but it dries off again."

Adjuster—"If it dries off again, when it rains from November to June, what is to prevent it drying off now?"

* Assured—"Why, this water struck it differently from the way the rain does."

The claim was disallowed.

TELEGRAM \$1.00, BEDS 10 CENTS.

A few months ago a Portland insurance special had to go with his attorney to one of the inland county seats in Southeastern Oregon. He knew that the hotel in town, being the only one, would be crowded on account of court week. For this reason he telegraphed Saturday morning from Umatilla, that he and a friend would arrive on the stage Sunday night, and to reserve rooms. The charge for the telegram, which had to be transferred to its destination by telephone, was \$1.00.

In crossing the Blue Mountains the following day on the stage, the first snow of the season was falling and many a tree loose in its roots was heard coming down with a crash. One tree about sixty feet long fell across the road, just about ten feet ahead of the horses, which were going down hill at a lively gate. The crash was so sudden and unexpected that the horses simply stopped from fright, which was a fortunate incident, because a difference of ten seconds in the falling of the tree, might have landed the passengers on the other side of the river Styx.

The road was getting worse and worse, and as the driver remarked, they looked like having an inch of water on top and four feet of mud on the bottom.

Instead of arriving at 9 o'clock Sunday evening at the county seat, the stage got there at 4 o'clock Monday morning. The city marshal was found to be on night duty at the hotel, which was crowded to overflowing as expected. The landlord had forgotten all about that \$1.00 telegram. A little sleep was necessary so as to be presentable at the court at 9 o'clock. The marshal marched, lantern in hand, insurance special and lawyer down to Chine Alley, took them into a dilapidated shack, where a few mattresses with blankets, probably thrown away by some old miner, were stretched out on the floor, no bed linen whatever, and all but two of these improvised beds were occupied already. About 8 in the morning, when special and lawyer awoke, after three and a half hours' sleep, one of the room-mates asked them, when and

why they were hauled in here; remarking that the marshal took him down to this miserable shack simply because the calaboose was overcrowded.

The charge for the beds was ten cents each for special and lawyer.

Some time since I had a hand in initiating into the Elks one of the insurance fraternity who had some bad odor as to writing at cut rates. On one occasion he had a fire that had another odor—that of too much vs. too little. Well, as I said, I had a hand in the matter and we gave the brother a good send off. Among other things we read a copy of a burlesque insurance policy “written on the spot” by your humble servant. While it has no special merits, I happened this morning to unearth it, and I send it to you without trimming.

POLICY.

In consideration of One Dollar and Ten Cents, the Wild Cat Mutual Insurance and Benevolent Fire Company, limited, does insure Patrick Epstein for the term of one hundred years from date hereof against any and all direct loss or damage from fire, water, or smoke upon his stock, ladies' underwear and other similar merchandise, all and only while contained in the store of assured or elsewhere. Provided this company shall not be liable for fire damage unless occasioned by the assured, nor for water damage except rain water, between the months of July and September of each and every year during the term of this insurance; nor for smoke except the injury be directly or indirectly from the cigar of the assured held at a distance of forty feet.

Provided further, that if this policy be written at any rate less than the established rates of the Pacific Insurance Union (now dead and buried) that the policy shall be scaled in that proportion as the purported premium and the real premium bears to the face of the policy.

It is furthermore warranted by the assured that he will not keep more than five barrels of gasoline, three carloads of celluloid goods, or one car load of fire works in stock without notice given to the company and permission endorsed thereon.

It is furthermore warranted by the assured that he will not keep any books, invoices or other evidences that will help adjust this policy, and that he will keep his powder at the back end of the store, and that the door shall be securely locked and fastened.

The premium on this policy is collectible when loss is paid.

NEW OFFICE RULES FOR SPECIAL AGENTS.

1. Special agents upon entering a local office will leave the door wide open and clean their feet on the office chair rungs.
 2. If you have a few hours to spare take a chair, put your feet on his desk and keep him stirring to get you the register, forms, maps, etc. It's the only way to make him appreciate you.
 3. If you know any ancient stories tell them, he has nothing to do but listen during daylight. He can rustle business and make reports at night.
 4. Smoke all the time; a strong pipe is the best; the agent will furnish the tobacco.
 5. Chew too, and spit on the floor.
 6. If he is giving information to a patron, regarding a policy, don't fail to break in and show how much you know. Never wait until he asks you to do so.
 7. Don't fail to "knock" all the other companies he represents, and by all means belittle his other specials in such a way that your own superiority will be thoroughly established.
 8. Use his horse and buggy, let him pay your way to the show and take dinner with him on wash day.
 9. If he has a stenographer by all means keep her busy and then find fault by making odious comparisons.
 10. If you don't want to follow the above office rules then make him go fishing or hunting with you. He will furnish the outfit if he has to rent it.
-

A prominent real estate firm in this city recently asked for the following endorsement: "Permission to paint and burn the building," which of course was promptly refused.

The claimant was trying his best to make the list fit the amount insured. One item was "Tooth-brush, fifty cents."

"Let me see," I said mechanically, "How long have you had it?"

"Two years," he replied.

"Two years?" I said, "and worth fifty cents?"

"Of course," he said, "you don't think I use it every day, do you?" Another item called for "one epicure set."

"What is that?" I asked.

"Why, you know, those things to fix your finger nails."

We have all met the good agent who has all the companies he wants. He is a pleasant, entertaining man, who will talk with you all day, but *will not* take another company.

To him came a friend, a former school teacher in the town, and he was invited "up to the house."

After dinner, the school teacher explained that he was now a special agent, and had come to offer a new company. No use, it was positively refused.

"See here," said the teacher, "I have been sent to give you that company, and I will live at your house until you take it in."

And the teacher left on the next train.

Recently one of our leading companies received a short note from one of its agents up North, in reply to a communication which had been sent him asking why a certain policy issued to a party by the name of Jones had not been renewed, in which he said as follows:

"Replying to the enclosed card will say that this man decided that he would insure in some Grocery Insurance Association of Seattle, saying that it did not cost near as much as in the old line companies, and for that reason I could not get him to renew his policy.

"This morning he said that my grocery bill was not near as much this month as it had been formerly, and I informed him that I was buying my groceries in Seattle for I got them a good deal cheaper than he sold for. He passed on and said nothing."

This seems to be a very practical method of dealing with matters of this kind, and certainly from latest advices the joke is up to Jones.

Before the telephone came a man's house was his castle; now it is different; listen:

It was three o'clock in the morning, when a furious ringing woke me, and I went through the motions of a long distance call. By the time I was connected I had cold feet.

The still, small voice was agitated, but it managed to say, "We have just burned out, send an adjuster."

"Telegraph to the office," I said, "and I will attend to it right after breakfast."

In due time a letter came. "Excuse haste," it said, "my insurance is not in your office at all."

Puzzle Question: Who pays for the quinine and mustard plaster?

The President—The next order of business is the election of officers for the ensuing year. But before going on with that, I would like to get some information regarding the report of the committee upon the President's Address. It recommended that a committee be appointed, as I remember, to look into the matter of printing loss papers.

Mr. Kinne—I think, Mr. President, that that can be attended to later.

The President—Very well. First in order will be nominations for the office of President to serve during the coming year.

Mr. Kinne—Mr. President, I take very great pleasure in naming for that office Mr. Whitney Palache. It was understood last year that he would be President this year if he lived. He is alive and well and will make an excellent President of the Association.

Mr. Devlin—I take very great pleasure in seconding the nomination of Mr. Palache. He should have been President before this. He very kindly, without my knowledge, withdrew when I had the honor to be elected, so I take double pleasure in seconding his nomination for the office of President of this Association for the ensuing year.

Mr. Kinne—I move that the nominations be closed, and that the Secretary be instructed to cast the ballot for Mr. Whitney Palache for the office of President of the Association.

The motion was duly seconded, and unanimously passed, and the Secretary cast the ballot of the Association for Mr. Whitney Palache for President.

The President—I have the honor to announce that the Secretary has found Mr. Palache the President of the Association for the coming year.

[Applause.]

The next officer to be elected is a Vice-president of the Association. Nominations are in order. I believe last year something was said about a nominating committee. May we hear nominations from that committee?

Mr. Kinne—Mr. Sexton, the President will remember, was understood to be the Chairman of the committee as made up last year.

Mr. Sexton—I rise, Mr. President for the purpose of saying that as a nominating committee I got left this year. I had a candidate staked out, a middling old man, an independent adjuster, and I said something to a friend of mine about it, and “Well,” said he, “we have arranged to have another man.” I said “Have you spoken to the other man? I have not spoken to my own man.” The reply was “Yes, we have.” “Then,” said I, “I will drop it and join with you on your man.” I thought he had arranged to have his nominating convention, or whatever Colonel Kinne calls it, to nominate his man, but I find that he has not attended to business. So I will try and fill the gap by saying that I take very great pleasure in naming my young friend J. L. Fuller for the position of Vice-president of the Association for the ensuing year, reserving the right to work my man in next time, if possible.

Mr. Kinne—I take great pleasure in seconding the nomination of Mr. Fuller. I thought that there was no necessity of my doing as I have done on several occasions, to propose the Vice-president myself—because I knew what our friend Sexton was going to do; at least I had an intuitive feeling as to what it was. I know Brother Sexton so well that I know that he always does the right thing at the right time—at least he thinks so. On this occasion there is no mistake about it whatever. Mr. Fuller, a member of the Association for many years, has been an active, useful, and influential member, and it certainly gives me very great pleasure in seconding his nomination. And, as the slate has been put up by Sexton, and I am seconding his ideas, I don’t suppose there will be any other name presented.

Mr. Devlin—I move that the nominations be closed, and that the Secretary be instructed to cast the ballot of the Association for Mr. Fuller as Vice-president for the ensuing year.

Mr. Meade—I second the motion.

The motion unanimously prevailed, and the Secretary cast the ballot of the Association for Mr. J. L. Fuller as Vice-president of the Association for the ensuing year.

Cries of “Speech, Speech.”

Mr. Fuller—Mr. President, and members of the Association: I duly appreciate your kind consideration in electing me as Vice-president of this Association. It is needless to say that I esteem it a great honor. I shall try very hard to merit the compliment which you have bestowed upon me, by doing my utmost to further the interests of the Association. I again thank you.

[Applause.]

The President—The next in order is the election of a Secretary and Treasurer. Are there any names for that office.

Mr. Kinne—Mr. President, I have been married a good many years, and it is the same old girl—no dissatisfaction on my part, at least. And I think when we have got a good thing we ought to hold on to it. It gives me pleasure to place in nomination again, and I hope again and again for many years, Mr. Calvert Meade, for the office of Secretary and Treasurer of this Association.

Mr. G. D. Dornin—I take great pleasure in seconding the nomination, Mr. President. I move you that the nominations be closed, and that Colonel Kinne be instructed to cast the ballot of the Association for Mr. Meade as Secretary and Treasurer of the Association for the ensuing year.

Mr. Fuller—I second the motion.

The motion unanimously prevailed, and Colonel Kinne cast the ballot of the Association for Calvert Meade for the office of Secretary and Treasurer of the Association for the ensuing year.

The President—Next in order is the selection of two members of the Executive Committee. The retiring President is ex-officio a member of that committee, as I understand it. Nominations are in order for the other two members of the committee.

Mr. Kinne—I believe that the Chairman of the committee for the past year is the retiring member, and as to the rest of the committee I do not think they can be improved upon. So I place in nomination, in

addition to our retiring President, Mr. Gibbons, who will be a member of the committee as a part of the law of the Association, the old members, Mr. Louis Weinmann and Mr. Herbert Folger. Mr. Folger, as we all know very well, is always a careful and attentive man to any duties put upon him, and Mr. Weinmann is an excellent worker. I do not think we could do better by making a change, and for that reason I nominate Mr. Folger and Mr. Weinmann.

Mr. Devlin—I move that the nominations be closed, Mr. President, and that the Secretary be instructed to cast the ballot of the Association for Mr. Herbert Folger and Mr. Louis Weinmann for the second and third members of the Executive Committee for the ensuing year.

The motion was duly seconded and unanimously carried, and the Secretary cast the ballot of the Association for Mr. Herbert Folger and Mr. Louis Weinmann as members of the Executive Committee, and the President declared the retiring President, Mr. Gibbons, together with Mr. Weinmann and Mr. Folger, the Executive Committee of the Association for the ensuing year.

Mr. Kinne—I think it is due our retiring President that he have a vote of our warm thanks tendered him for the faithful manner in which he has performed his duties as an officer during the past year, and also for his efficiency as a presiding officer during the annual meeting.

Mr. Sexton—I second the motion, and I move that it be put by Colonel Kinne.

The motion was unanimously adopted by a rising vote.

The President—Is there any other business to come before the Association?

Mr. Folger—In order that it may get into the printed proceedings, I would like to announce that there has been received from New York from the Sanborn Map Company a map which you see on the board. While the outline is omitted in all its accuracy, I will say that this represents the burnt district in the city of Jacksonville, Florida, the portion

that was burnt in the great conflagration there. The Library Committee has been obtaining in the past three years such diagrams of the great conflagrations all over the country for future use. We know of no conflagration in recent years covering so large an area. My recollection is that the Spokane fire covered forty-two blocks, and the members of the Association can readily see that this is very much greater in size. I would move that the Secretary be instructed to extend to the Sanborn Map Company in New York the thanks of the Association for the donation of the map, which in its large size represents much labor.

Mr. Kinne—I think it might also be explained that the fire in Jacksonville commenced away up in the upper left hand corner, in the dwelling region, and burnt up and down, and sidewise and fore and aft, and finally burned the business portion, burning practically that whole district. And I desire to second Mr. Folger's motion that a vote of thanks be extended to the Map Company for its kindness and courtesy in the matter.

The motion unanimously prevailed.

The Secretary—The Election Committee for the present year has not been named, Mr. President. I move that the same committee that we had last year be continued during the ensuing year.

Mr. Folger—I think that perhaps some of the members of that committee are now incapacitated from serving upon it.

Mr. Sexton—I move to amend that the Executive Committee fill the vacancies of the two men who are now incapacitated to fill the position.

Mr. Meade—I second the motion.

The motion unanimously prevailed.

The President—If there is nothing further before the meeting, a motion to adjourn is in order.

Mr. Kinne—I move that we do now adjourn, Mr. President, to meet at the Maple Room at Palace Hotel this evening, at time set by the Banquet Committee.

The motion was duly seconded and the meeting adjourned.

THE BANQUET.

As President Gibbons rapped for order, the good feeling and good will of all present was indicated by the hearty applause and three rousing cheers given for the President of the Association.

REMARKS OF THE PRESIDENT.

The President—I wish to thank you very much for this reception. It is certainly very flattering to me as well as indicative of the good feeling that exists around this board after the delightful repast we have had.

Yesterday morning I had an opportunity to tell the gentlemen of the Association all about insurance matters, and all about our Association. This evening I will take the opportunity of saying a few words of grandfatherly advice to a few of the members who did not help out at the meeting, and some of whom did not write the papers that I requested be written for the meeting. They claimed to be particularly modest. In that connection, I think they will find themselves very much like the Irishman who was broke, and who went to a friend who had a small menagerie. While the friend did not have anything in particular for him to do, he did say to him that their largest lion had died a few days before, and that if he wished to wear the skin of this lion, why, he would pay him for it. The first night of work came round, and he put on the lion's skin and was brought onto the stage. The showman explained that he had a great deal of power over this voracious lion, that he could compel him to go into the tiger's cage. Now, this particular lion did not want to go into the tiger's cage. But the showman threatened to shoot him if he did not, so he went. "Oh spare me," he said in an undertone to the showman, but it was of no avail. When he entered the tiger's cage, he showed great fear and trepidation. But in just a moment up got the tiger on his hind legs and said "Oh, don't be afraid of me. I am an Irishman myself." [Laughter.] So I think that if some of these very modest members of our Association had but tried it, they would have found after all it was not anything to be afraid of

but like the tiger, was merely an audience like themselves. The members of the Fire Underwriters' Association of the Pacific do not know everything, nor do they claim to know everything. If some of these men would only study hard enough they might find something in the course of a few months that perhaps three out of five of the members of the Association did not know. Furthermore, the writing of papers is of positive benefit to the writer. You recollect that in Nicholas Nickleby there, when a boy knew a thing he went and did it. So here, when he writes upon a subject he knows a whole lot more about it than he did before. But at this meeting I have perhaps been under some disadvantage, in that the writers of the papers have not themselves been in attendance to read them. I had marked out lines of discussion, but the people who were interested therein were not present—and in mentioning these disadvantages (elevator broken down) it is saying nothing whatever about the elevator. [Laughter.] The desertion of these people reminds me of the old story that you probably have heard, of the kind-hearted bishop who saw a little boy trying to get at the door bell, but who could not quite reach it. Finally the bishop said:

"Well, my little man, do you want to ring that door bell?"

"Yes," replied the little fellow.

"Shall I ring it for you?"

"If you please, sir."

The bishop rang the bell, and then the boy turned to him and said "Now run like the devil." [Laughter.] I think the people who have had work assigned them and who have run off in that way have left me in rather the same plight.

But the time has come, gentlemen, when I thank you for what you have done for me, in electing me last year the President of your Association. I do wish to thank you very heartily. I also wish to take occasion to thank the best Executive Committee that a President ever had. I would like, too, to thank a few more of the kind friends who have assisted me in this meeting, but I am afraid it would sound very much like a roll call if I did. The Presidential star is now perhaps glittering

We'll emulate the blazes great,
That downcast often find us;
We'll take a flight toward heaven to-night,
And leave dull care behind us.

—MOORE (amended).

MENU

Eastern Oysters, Half Shell.

Consomme Havanaise.

Radishes. Olives. Salted Almonds.

Paupiette of Sole, Victoria.

Potato Rosette.

Filet of Beef, Regency.

Vol-au-Vent of Sweetbread, Princess.

Abricotine Punch.

Roast Squab, stuffed, au Jus.

French Peas.

Mixed Salad.

Biscuit Favorit.

Assorted Fancy Cakes.

Cafe Noir.

The feast is o'er, we can no more
Of eating or of drinking.
Our yarns are spun, our joking done, -
Tomorrow comes clear thinking.

DIAGRAM OF TABLE AT ANNUAL BANQUET.

[illegible]

at its brightest, only to wane as the evening passes. It is said that it is hard to grow old gracefully, that it is hard to give up honors gracefully, but it is no hardship to give up such honors as I have, when I am able to place them in such competent hands as those of my friend and successor, whom I wish now to introduce to you, Mr. Whitney Palache, the President-elect of the Fire Underwriters' Association of the Pacific for the coming year.

[Applause.]

REMARKS OF PRESIDENT-ELECT WHITNEY PALACHE.

Mr. Palache--Gentlemen of the Association: There is an old saying, "Let not him who putteth on his armor vaunt himself as he who putteth it off." I think that applies tonight. Mr. Gibbons is still in the saddle, and I will tax your patience a year from now, but not tonight. I wish simply to say that I am deeply sensible of the honor you have done in placing me in the Presidential chair. I pledge you my best efforts in behalf of the best interests of the Association.

[Applause.]

Selection by the orchestra.

The President—I want to introduce to you tonight, gentlemen, a guest whom we have had with us before, and whom we are always glad to welcome here. I refer to the Hon. Samuel H. Nichols, the Insurance Commissioner of the State of Washington.

Mr. Schively—Say, boys, he is my boss. Cheer up. (Laughter and applause.)

Mr. Nichols—Mr. President and Gentlemen: I am not going to make any excuses. I promised you a year ago, that if I lived I would be with you again this year. It looked for a time very doubtful whether I would be able to carry out that promise. We have a body of men in session in Washington, the same as you have in this State, and we have to look out for our appropriation, and we have also to do a little work to take care of your part of the business. (Laughter.)

Gentlemen, I am much pleased to be with you again this evening. It is a pleasure to meet the class of men such as are in this body, the insurance men of the Pacific Coast. In casting my eyes across these

tables, I see but very few men who have grown gray in the service. I have not grown gray in the service myself, but still I have got a few gray hairs. But there is one thing about it, in view of this fact that the great majority of those that are present here tonight, are young men, and that is that they have to take the brunt of all the work that brings about success to the insurance companies. And I am pleased to say that in my experience with the young men who visit us at Olympia, I have found them to be a first-class set of fellows. (Applause.)

A year ago when I was here, there was a great deal said about the local agent—I think that was the expression—(A voice, “The special agent.”) Yes, the special agent, that is it. (A voice, “It is just the same, Chief, just the same.”) Just the same, yes, they get to be local, and then they make themselves special. I am in hopes that you have got that question settled, so that all your special agents do a good class of business, and that you are satisfied with their work. It looked a year ago as if you were a little bit dissatisfied. (Laughter.)

I understand, since I arrived here, that you are meeting with some reverses as insurance men. But those things come to all classes of business, and hence you must accept some of it in your department. I trust, however, that as the year rolls around, there will be less of that, so that you can afford to sit down quietly when you are figuring up the books, and say, “We have paid Washington her two per cent. and all that is duly coming to her, and have no cause to complain.” (Applause.) I have noticed upon my trips here that you have a very fine class of men. You can indeed class them as men of brains. But I want to say to you this: You have one amongst you—and I do not think I take anything from any of the rest when I say it—who is the prince of men, and that is Mr. Spencer. (A voice, “Isn’t he?” and great applause.) It is very much through his kind offices that we came here this time. He wrote us several letters, and we determined that we would come and visit you again, so well treated were we before.

I am also pleased to say that I have a colleague here to-night. A year ago, there was not an Insurance Commissioner here except myself. To-day I have the pleasure of sitting beside the Insurance Commissioner of this State (applause), and I assure you that it is a grand thing to have the Commissioners of the different States meet with you on occasions like this. They not only learn something, but you may learn a little from us. Gentlemen, I thank you.

(Applause.)

SONG: By the Knickerbocker Quartette.

The President—For some years past at these banquets we have had an idea that Washington was the only State that had an Insurance Commissioner.

Mr. Schively—That was right, before you got this man.

[Laughter.]

The President—I have discovered tonight that we have one of our own. And in talking upon this subject I have found out that this banquet was just exactly what the doctor had ordered for our Insurance Commissioner. I am very much obliged to the doctor, and we are very glad to have him with us. I take great pleasure in introducing to you, Mr. E. Myron Wolf, the Insurance Commissioner of the State of California.

[Applause.]

Mr. Schively—Let us drink to the health of Mr. Wolf.

(A toast to the health of Mr. Wolf was drunk standing.)

Mr. Wolf—Mr. Toastmaster and Gentlemen: I did say that this was what the doctor ordered. For as you will observe, a delicate, puny and consumptive individual like myself at times needs nourishment, and I am sure when I report that I have taken this prescription so enthusiastically and thoroughly as I have, that my physician will report me cured.

I know that it is customary for a man on an occasion like this to start out with a statement that he did not expect to be called upon, and that he has not anything to say and then proceed to talk so volubly as to convince you that he has prepared himself for weeks and make you wish that he would sit down. The fact of the matter is, and you may believe me, because you all realize that this is my social insurance debut, that I did not consider the possibility of this post-prandial feature of this gathering until I started on my way here this evening, when the thought accidentally struck my dull brain that perhaps there might be some speaking, and simultaneously there came to my mind that good old thought which I take it for granted you have heard, that was expressed by Mr. Lion to Mr. Daniel on that celebrated occasion that is related in Biblical history, when we are informed reliably that the lion said, "It is a good insurance risk that there won't be any speech-making after this feast." [Laughter.] I had hoped, in so far as that doctrine might be applied to me that it would hold good this evening. It certainly does

seem in a degree presumptuous for me to suggest the thought of saying anything to you gentlemen of the underwriting fraternity that can be of interest to you. I feel a good deal as did a celebrated California writer, who, after writing very learnedly and interestingly on a subject in a prattle column, which he edited, concluded by saying "my ignorance on this subject is wide, varied and accurate. [Applause and laughter.] If intended for storage it would require a tremendous unwarehouse." And so I feel this evening that the only thing I could be expected to say with any degree of justice to myself and to yourselves is that I have enjoyed the opportunity of meeting with you, and to express the hope that I may continue to have the privilege of meeting with you for many years to come, not merely for the pleasure of the social gathering and the splendid repast which I have assured you I have enjoyed, but incidentally for the continued enjoyment of the \$3,000 per annum. [Applause and laughter.] [A voice, "We will fix it for you."] The suggestion of my friend that you will fix it for me suggests that there ought not to be—if I may be pardoned for making use of the first person singular which I generally try to avoid—any serious conflict between the supervising authority of any State and the insurance fraternity. [Applause.] I will say to you that, in so far as I am concerned, the spirit in which my appointment was made and the spirit in which I entered into the office, was that of co-operation rather than antagonism. [Applause.]

It is true there are those at times, who may say that insurance and larceny are synonymous. [Laughter.] I assure you that that sentiment never has dominated me. No man who keeps in touch with the spirit of the day can fail to realize the important force that insurance of any form is in the evolution of modern progress. Fire insurance, which is the special branch represented this evening, is a tremendous force in the development of this country's resources. It not only gives security to the insured in times when there is no loss and no necessity for the appearance of the adjuster, but it inspires hope and courage when wreck and ruin confront a policyholder, even though the adjuster appears on the scene and attempts to convince the insured that he has not suffered any loss. [Laughter.] And while it may be true, as is true of all vocations and of all people and all institutions, that there are individuals here and there who do not live up to the true ethical principles of their vocations or of the standards of their people generally, it is likewise true that it is unfair and unjust to formulate a judgment of the entire body by reason of the injustice of a specialized few. I have observed, and I believe that every fair minded man has observed, that in every com-

munity the character of men who are engaged in this business is at least as good as the average type of character that prevails throughout this country, and goes to make the strength and perpetuity of American institutions and this American government. [Applause.] And without any intention to flatter, I know it is a fact, that the insurance and underwriting profession generally attracts to it the best type of patriotic, honest, fearless American citizens. [Cries of "Good, good."] And it is because I believe that, it is because I have confidence, after all, in the honesty and integrity of my fellow men, that I say to you in all earnestness that the supervising department of the State of California, for the time that I can speak for it, will deal with you in a spirit of fair-mindedness and justice, and it hopes that you will regard it in the same way. The department for which I can speak says to you that it will at all times be glad to meet with you in a spirit of equalizing and adjusting any wrongs that may appeal to you and in the firm desire of doing justice by you and justice by the people. The laws of this State are well settled. The insurance people are honest, law-abiding people. And there should be no cause for friction whatever. There can not be and there will not be, I promise you, unless you break those laws, any vital conflict between you as representing the insurers, and the office which I now have the honor to preside over. In behalf of that office, if I may, at a dinner at which I am a guest, say it, I would express my appreciation of the fact that the brother members of the Commissioners' Union have journeyed so far. [Laughter]. I am sure, as has been suggested by Brother Nichols, that the visit cannot fail to be of some benefit. I have already learned that you stand a two per cent. gross tax in Washington [laughter] and the legislature of California is now doing business at Sacramento. [Laughter.]

I hear some gentlemen at my right throw out the suggestion of "Soak 'em." [Laughter.] I have already promised you that that is not the desire of the department. I believe there are some defects in the matter of taxation that should be adjusted. [Laughter.]

But I am sure, gentlemen, that in a spirit of justice and fairness, and with a realization that your interests are not to be harassed, but are rather to be encouraged, and with a desire of promoting good feeling between the supervising department and yourselves, such inequalities as may exist will be satisfactorily adjusted. I hope that this may be the rule and the guiding principle, so long as I have the opportunity of associating with you. Of course I realize this fact, that you gentlemen have the advantage over me, in that you will continue to represent

insurers, whilst I, representing the insured, will pass away officially—unless, perhaps, following the example of a number of Insurance Commissioners throughout the country, I become converted and evolve into the underwriting business myself. [Laughter.] But whatsoever may be the future, and as to that I care not to figure on this present occasion, I wish to reiterate the pleasure and satisfaction I have experienced in the social phase of insurance life, involving the opportunity of meeting with a splendid body of gentlemen such as yourselves, and to reiterate also the hope that I may continue to have that pleasure so long at least as my term of office lasts, and I trust that my record will merit your confidence and that I may continue to enjoy it thereafter.

[Applause, and “For he’s a jolly good fellow.”]

Mr. Schively—He is a wolf by name but a rare-bit by nature.

SONG: By orchestra and Association.

The President—Gentlemen, this evening I thought it was rather an unfair advantage to have two men come all the way from Washington, and have them set against one man from California, in the insurance department. I don’t know but what the California man has done very well. [Cries of “He has! He has!”] Perhaps you people don’t know where Washington is. I understand that Washington is one of the suburbs of Seattle. [Laughter.] I may be misinformed, but I think that is correct. At any rate, we have a man here who says he is from Washington, from the outlying district. He has been here before and we hope he will be here again. I take great pleasure in introducing to you Mr. J. H. Schively.

[Applause.”]

Mr. Schively—Mr. President and Gentlemen: When you have heard from the commissioners, what can you expect from the deputy commissioners? [A voice, “A whole lot.”] Whenever I come here and meet with this Association, I always have the feeling that here is true hospitality. Do you remember that two years ago—that is, the majority of you; you know you specials don’t cut any figure with us commissioners—two years ago I said that if you ran a bluff on me, it would stand for one year. Then in one year’s time I begged an extension for a year. Well,

now, I want to say two things: In the first place, I beg an indefinite extension. [Applause.] Secondly, when I talked about running a bluff on the laws of the State, I did not know then, but I know now—I mean the home mutuals; see? I did not mean the standard companies.

Now, I desire to say something about managers, which perhaps you specials and general agents will understand. In the first place, I want to pay a deserved compliment to Mr. Lowden of the Norwich Union. The waiver which was in the policy of our State has been abrogated because of the Scotch, American, German, French, Irish—I don't know which—honesty of Mr. W. H. Lowden. [Applause.] Mr. Lowden said to me: "What in h—I do you want that in there for?" I said, "I don't know, do you?" He said, "No, I don't." And then we cut it out. [Laughter.] When President Roosevelt and myself came into office [laughter] he wrote a letter to Congress. Among other things he said this: "The personal equation is the greatest factor in the success of the individual or the corporate institution of the American Nation." Now, you have read of the commercial invasion of this nation in Europe, whereby this nation is not compared with any other nation but with every other nation, whereby the combined nations are compared with this nation commercially. The President of this country said that the success of this nation was not because of its commercial invasion of any other country, but because of the individual men back of the nation; that it made no difference how great were our guns and our commercial houses; that it referred eventually to the individual man. Gentlemen, the greatness of this nation is not because of any great firm, but because of the representative manliness of the men in this country being equal to or greater than the representative manliness of any other man under the sun. That made the American nation. [Applause.] When the commissioner of the State of Washington and myself determined on making this trip, the commissioner invited his son-in-law to make the trip with us, and this day they were walking up the street together, I being a minor factor in the aggregation. They had been entertained by Mr. Spencer, of the Ætna Insurance Company. [A voice, "Where is the son-in-law?"] I am representing the son-in-law here. I am supposed to be seated next Brother Lowden at the other end of this table. The son-in-law, Mr. Riley, said to his father-in-law, "These insurance men seem to be pretty fine sort of fellows," and the Insurance Commissioner turned to his son-in-law and said, "Fred, I have been the Insurance Commissioner of the State of Washington for two years, and I haven't met a single fellow who was not a good fellow in the whole two years, in the insurance fraternity." [Applause.]

I am leading up to a point that the managers will appreciate better than the commissioners. The representative man of this country is equal to or better than the representative man of any nation under the sun. The representative man of California is not to be taken into consideration to-night, because, being the host, he stands at the head. The legislature of Washington is in session at the present moment. I want to say to the managers present—and the specials are interested in the destiny of the managers—that the representative man of the State of Washington is the peer of any man in any State in this united union. [Applause.] There may have been introduced into the Washington legislature bills which represent the “grafter.” The legislature, when it adjourns, will represent the American citizen. [Applause.] And I say to you gentlemen that you need not be afraid of the legislature of the State of Washington. Whatever bills may be introduced, that is a side issue. You see my white-haired friend here, sitting at my left. He represents the State of Washington, so far as insurance measures are concerned, and they will be just and fair to the insurance fraternity. I need say no more than that. It rests upon my friend here immediately at my left, to look after the legislature of California. [Laughter.] Of course, no one would bet with the speaker, but I will stand the best bottle of the best wine that was ever uncorked on the proposition that when the legislature of California adjourns and the legislature of Washington adjourns, the insurance fraternity is just as safe in the keeping of Washington as it is in the keeping of—Montana, for instance. [Laughter.]

Gentlemen, I have had two years of experience with you. I would to God the balance of the world were as honest as you are.

[Applause, and “For he’s a jolly good fellow.”]

Selection by the orchestra.

The President—Gentlemen, I think Mr. Spencer has a few telegrams from some of our absent friends which you would be very much interested to hear. We will hear from Mr. Spencer.

Mr. Spencer—Mr. President: It is with some hesitancy that I arise at this time, for the reason that usually there is present with us a gentleman at my left, and he is, I am pleased to say, with us this evening. He is pretty close to the business end of this dinner.

It has been intimated that these telegrams are “written while you wait.” That is not so. They all have the hall mark upon them—every one of them.

I will take up these telegrams, gentlemen, and read them as they come. The first one is from our friends in Chicago. It reads:

"Our felicitations to the members of the Fire Underwriters' Association are, if possible, a trifle more hearty this year, because we have also drawn a contingent from the business of 1902. May the present year East and West show equally satisfactory results. Regret that we can not join in sharing the enthusiasm and good cheer that will prevail at your banquet Wednesday evening.

JOHN MARSHALL, JR., FRED H. McELHONE, J. W. G. COFRAN."

The President—Let us drink to Mr. Cofran and his associates in Chicago.

[The toast was drunk standing.]

Mr. Spencer—The only draw-back to our enjoyment this evening—and I think I voice the sentiment and express the feelings of every one present when I say it—is that my associate, who never before failed to be present with us upon the occasion of our annual dinner, Mr. George F. Grant, is not here tonight. But he has remembered us in the following telegram:

"Success to commissary. Give my love to boys at banquet."

[Applause.]

The next telegram comes from Albuquerque, New Mexico. We get them from the North, the South and the East. This one says:

"Snowing here. Sorry can't be with you. Hope you all enjoy yourselves. JOHN T. FOGARTY."

Here is one from Salt Lake. I did not know it was cold at Salt Lake; I thought it had been rather warm there lately. This telegram reads:

"Greetings from snowy Utah to our friends in sunny California."

It is signed: "Spencer, D. A., Rooklidge, Hill, Ferris, Frank Young, Junius Young, Selback, Ridling, Smith, Gibson, Rogers, Frith, Parkhurst, Maris."

That concludes the telegrams, Mr. President, and, as I say, this being the business end of the table, and, as I have said before on such occasions, as one of the privileges of serving on the dinner committee is that one is not expected to make a speech, I will claim the privilege this evening. [Applause.]

The President—We have with us tonight, gentlemen, an attorney, whom we have sent long distances—to do some talking for us. He has come here, and he has told me that he would do some talking pretty close to home. I want to introduce to you Mr. T. C. Van Ness.

Mr. Van Ness—Mr. President and gentlemen: Two or three days ago I was asked if I could say something at this dinner this evening, and the topic for what I had to say was suggested. It was suggested to me that I might say something about the intimate relation that the adjusters and fire underwriters of the Pacific located in this city, bear to the commercial prosperity of the Pacific Coast. I had thought that out a little, and prepared myself to speak on that subject, and it was a subject prolific of thought, because, as we know, the commercial prosperity of the Pacific Coast depends upon the population, and necessarily upon the growth of the population of the Coast, and I do not know of any gathering at which I could talk upon the subject any better than at one of this kind, where there are so many people capable of increasing the population—and so willing. [Laughter.]

But I have had a damper placed upon my intended rhetoric by my friend Spencer, who intimated that in the case of Mr. Schively at least, he proposed, as far as he could, to shut the door on that sort of thing tonight. But, gentlemen, that suggested topic of discussion has been rather driven out of my head, and other thoughts have come into it, by reason of what has occurred and what has been said here tonight. I think that some of the things that have been said by the gentlemen here, speaking in rather serious vein, are suggestive of the condition of affairs that surround us all, and of the time in which we live. We all know, as reading and thinking men, that there has been a wave of a certain sort of madness sweeping over this country for a number of years, clashes between those who have and those who have not, or, at least, between those who think they have not, and those who have; and passions have been stirred up to an excessive degree, and by reason of a very common misunderstanding growing out of the ignorance of men, as to the basic conditions that go to make up prosperity. We have had all sorts of foolish things done, foolish industrial rules made, foolish legislation suggested. But from the little that has been said at this gathering this evening, it seems to me that there has been sounded the key-note in the heart of this business as to the solution of many of our difficulties. And that brings us to some of the difficulties that have existed in this particular business.

Mr. Shiveley said, and with great truth, speaking of what President Roosevelt has said, that the best element in American citizenship, the thing which goes to make up America and American manhood, is the individualism that exists in the American character, and the sense of right that exists among educated Americans, and the desire to carve out of conditions in the midst of our political, social, industrial, and domestic struggle, the thing that is right. My experience has taught me that the man who, either in business or in politics, or in executive position, takes for his lode-star the doing of that which, under all the circumstances, is substantially right, is the man who will not only carve out for himself success, but will better the condition of those with whom he is associated, and better the conditions of his race and his time. I think such men as George Washington, whom we look up to as the first of men, who always had right in front of him, the doing of right, Abraham Lincoln, Grover Cleveland and other men of differing political faiths, and our present President, who, whatever his mistakes of youth and strenuousness may be, is seeking to do right—those are the men who are marking their names upon the historic roll of the world; who are receiving the commendations of the common people, and who are going to make for the country itself a position at the top and at the head of the nations of the earth. These thoughts have been suggested to me by this: You gentlemen in your business are frequently charged, commonly charged, with an intention not to do what is right, to collect premiums and not pay losses. That rather common sentiment was voiced the other day very pertinently in a little suit in which I happened to be interested in the Justice's Court here. A man brought suit against an insurance company. There was no merit in his case, which was evidenced by the Justice of the Peace deciding against him. But at the conclusion of that trial, a little trial that lasted but a day, the Justice of the Peace having decided the case in favor of the defendant, saying that the plaintiff had no claim whatever, came down from the bench and said, "Is it a fact that insurance companies never pay any of their losses?" That is but an illustration of what rises out of the ignorance of men who, once in four or five years, hear of a company contesting a loss, and who draw the conclusion from that one little case that has come under their notice and attention, that that is the compass of everything that happens in the world. There has been a time in the history of this State when, as you all know, we were not on very good terms with the supervising power that governed insurance companies—when the power of the State represented by the supervisor of insurance, was constantly representing the companies as doing wrong. Can that sort of thing win out? I think not,

because it is not right. For two or three years past, the Insurance Commissioner who is here tonight from the State of Washington, and his most worthy deputy, have taken a different view of these matters. They have endeavored, according to my understanding of the situation in the State of Washington, to do the fair thing, to protect the people of the State of Washington, in so far as it was their duty to protect them, by proper legislation, to protect them not from the wrong-doing of any individual man or any individual company, but by general legislation to see that the interests of people who had occasion to deal with insurance companies were protected. The Insurance Commissioner of the State of California, who is new in his relationship to the companies with whom he has business relations, has voiced the sentiment that President Roosevelt has voiced, that every man of brains has voiced, that every man of common integrity has voiced in this country, and the only sentiment that will win for any man, whether it be in business, in a professional career, or in politics—ultimate success, and the respect of his fellow men, and his own self-respect, is a desire to do that which is fair and that which is right. [Applause.]

For twenty years I have myself been associated in a more or less intimate way with you gentlemen, the gentlemen who are doing this business on the Pacific Coast, and I think I can say again, voicing what President Roosevelt stated recently, in regard to some industrial abuse, that although I have been intimately connected with you gentlemen, with the managers on this Coast who represent the intelligence and the heart and the integrity and the intentions of the insurance people, that I never, as a lawyer, in my whole twenty years of experience with you, at any time out of the almost numberless occasions that I have had the opportunity to know about these things, have been asked to do a single wrong to the man on the other side of the contest. I do not mean to say by that that insurance people are not wrong occasionally—I know I get wrong myself very often—but that the intention back of all these matters has been right.

Now, for the first time in several years, in my experience at least, we are brought into contact with gentlemen occupying these executive positions under authority of these great States, having a disposition not to stand off in the distance and with a doubled fist strike at a large body of men, because, according to an absolutely fallacious notion that for the moment it makes some sort of popularity—not men of that character, but men who have come into the field with a desire to inform themselves as to the internals of this business, to understand it, to know what is right and to know what is wrong, and to do what is substantially right.

Where, among these executive officers, has there been a single instance of anybody ever saying to them, "You have not done the right thing?" Where is there a single man occupying the position of an executive officer having relation to the insurance business who has ever received any commendation that was worth a nickel by ever doing what was wrong? I think the coming together of this Association with these gentlemen who have executive official business relations with its members marks exactly what is going on in this country: It marks the coming of men who have the strength and who have the courage to get out of the flotsam and jetsam of common prejudice and of error, and getting up above that level to say, "In our judgment, this is the right thing as between the people of this State, or that State, and these gentlemen who are engaged in this large business." And I venture to say that these gentlemen who are here to-night, and similar men, will find that the good that they are doing, not only in the good that they do to the others, but in the good that they are doing to themselves personally and politically—for I do not know of a single instance within my reading in the history of the politics of the United States where any man who has started out to cater to mob prejudice and mob violence and mob error that has not finally gone down himself with the mob. [Applause.] I say, gentlemen, and I know of no more fitting place and no more fitting opportunity to express it than to the face of these gentlemen who are here, all honor to these men who have the courage, the intelligence, and the brains—for without brains, courage is but a false force and amounts to nothing—all honor to these men who have the courage to stand up in public places and voice these sentiments. They do not say that they propose to give you anything that you are not entitled to, and I know that none of you want anything that you are not entitled to. All that you ask is fair play and a fair opportunity, and these are the men who, acting upon an intelligent conception of what is right, are in a position to stand between this great industry, this great business, this great representation of the capital of the country, and what is wrong. All honor to these men who stand between the common error and the common prejudice on the one side, and what is fair upon the other, and who are in a position to secure to you what is fair and just. Because through these gentlemen, and in my judgment, through these gentlemen alone, ultimately, may the insurance people obtain legislation which is intelligent, which is honest, which is the result of a fair understanding of the needs of this business. [Applause.]

As I say, gentlemen, I came here prepared to talk about something else, but this occurred to me, and I thought I would voice my view of it

to you. I think it is due to our friends who are visiting us here this evening to say that much, and I know from my conversations with some of our friends here that this is their desire, that that is their wish, and I believe that they will be your best friends, as you will be their best friends, and all of us, seeking to do right in these matters, will carve out for the future of this business a better understanding, politically, with the powers that be, to bring about a fair understanding of what is right. When that is gotten at, and the people who legislate and deal with these matters do understand what is right, then I believe we will get out of the clouds of error, the clouds of prejudice and the clouds of misunderstanding, and come down to a basis of natural and legitimate peace in the dealings between the insurance companies on the one side and the people who control through the legislatures upon the other. [Applause.]

So much for that. But there is one other item that has occurred to me that I cannot pass without noticing, and that is the matter that is in all these yellow covered law books that are on the table. I came here to-night a little late and I sat down and I found right at my dinner table a decision of the Supreme Court of the United States. Now, I know Spencer is responsible for this, because he sits at the head of the commissary department.

Mr. Spencer—I want to say that I am a publisher, not a commissary any more. [Laughter.]

Mr. Van Ness—Having made an oration here to-night on the subject of what is right, I do not propose to let an error of this flagrant character go through—such an error as I see in this decision as reported. You gentlemen have all read it, of course. It is an opinion by the Supreme Court of the United States, the opinion of the court having been delivered by Mr. Justice Smalleater, evidently one of the leading judges of that tribunal. Of course we know that in all insurance matters, and upon all questions affecting the law in insurance cases, that this organization sits as an appellate tribunal. I have known many adjusters who have not hesitated to tell me that a decision of the Supreme Court of the United States is tommy-rot. [Laughter.] I have met general agents who have often expressed a doubt as to the correctness of the views of the Chief Justice of the Supreme Court just because those views did not accord with their own view of the situation. Just looking at this decision, I have been asked by one or two gentlemen present here who hold these indigestion policies, to ask this meeting to overrule the decision of the Supreme Court of the United States, because they say that if this decision is not overruled, that their policies will not be of any benefit. Very briefly, in a few moments, I want to present the argument that I feel sure

will overturn this decision of Mr. Justice Smalleater. [A voice, "Have you got your retainer?"]

Yes, I received my retainer—I forgot to mention that before. I had a cocktail before I came to dinner. That was my retainer, and I have been furnished with a bottle of champagne as a substantial fee, and am promised something after dinner providing I succeed in obtaining a judgment of this court overruling the decision of the Supreme Court of the United States.

You have all read this, and you know that this man had an indigestion policy, and he went to a dinner something like this, and thereafter had a violent attack of indigestion, and it is said that he had a bad taste in his mouth the next morning, and that he had that tired feeling, and all that sort of thing. Then he went down to the company to collect his insurance. Now, it is just such companies as this Indigestion Company that refuse to pay insurance losses, that create such a bad impression as to insurance companies among the community generally. Just think of it! This man had suffered from an attack of indigestion, and when he went to the company they would not pay it. He went into court, and of course they got the case before a small-eating Judge, who never had had an attack of indigestion, because he was one of the company's kind—he was a small eater. But think of the ground upon which he puts his decision! He says the company was not liable, because the party was guilty of contributory negligence in that he ate too much and drank too much. According to my reasoning as to an indigestion policy, if a man when he goes out is not permitted to eat too much and drink too much, he is not protected, there is no such thing as indigestion insurance. Of course the man who goes to a dinner and does not eat too much and drink too much does not need an indigestion policy. The very spirit of the whole affair is that he shall do both of those things. That ought to be sufficient for this tribunal, I think, to secure an overruling of this judgment.

But there is still the further ground upon which this Judge puts his decision, that the man intentionally ate too much for the sake of getting his insurance. Five or ten or fifteen years ago, before there were any compacts, that was a good defense, but since the compacts have been established, and rates have been put in force which every man has to pay, arson, to which this question of intentional over-eating is analogous, was a defense. But now arson is no defense at all, because that is one of the risks that is taken into consideration in fixing premium rates. [Laughter.] Of course if a man takes a policy of insurance in these days one of the contingencies that he figures upon and one of the contingencies that the company figured upon as being one that might arise, is that the policy-

holder may have to burn his building. The company knows that it takes the policy under those circumstances and conditions, and it is an implied condition of the contract itself that under such circumstances the loss shall be paid. I submit, therefore, that for the reasons advanced, the defense of intentional over-eating certainly is no defense that should avail the company, and for all the reasons given, the judgment of the Supreme Court of the United States should be overruled. And then after that, the parties who come to these dinners can do so with a feeling of perfect security that our indigestion policy is of some value. I hope it may be held by this Association, that when a man comes to an entertainment of this kind he may eat what he wants, drink what he wants, and rest in the perfect security that, no matter what the indigestion may be, however fully he may indulge his appetite, he can go down the next morning and recover his damages from the company.

[Applause.]

The menu was folded within a unique cover, together with the full text of the decision in the case of A. Gourmand, Appellant, *versus* Fire Underwriters' Association of the Pacific, Respondent, reviewed by Mr. Van Ness, in the preceding remarks. The binding was in imitation of legal "sheep," with "Insurance Law Journal" stamped in red and gold on the back. The title page read: "The Insurance Law Journal, Volume XXII. San Francisco: Published by Spencer & Grant, 514 California street, 1903." This entertaining travesty was as follows :

THE
INSURANCE LAW JOURNAL.

Vol. XXVII.

JANUARY, 1903.

No. 1.

REPORT OF DECISIONS

RENDERED IN INSURANCE CASES, IN THE UNITED STATES
SUPREME AND CIRCUIT COURTS, AND IN THE
STATE SUPREME COURTS.

From certified transcripts in our possession.

UNITED STATES SUPREME COURT, OCTOBER TERM, 1902.

*Upon Writ of Review to the United States Circuit Court of Appeals
for the Ninth Circuit, District of California.*

A. Gourmand, *Appellant*,
vs.
Fire Underwriters Association of
the Pacific, *Respondent*

In a suit upon policy of indigestion insurance—

Held, That the policy is void when claimant is guilty of contributory negligence.

Held, That the company is not liable when plaintiff is guilty of conduct unbecoming a gentleman of discretion.

Held, That a party willfully attempting to realize on an indigestion policy is guilty of an offense akin to arson, and cannot recover under the policy.

Mr. Justice Smalleater delivered the opinion of the Court.

This case comes before us upon a granted application for a writ of review. The theory of petitioner is, that the decision of the court of appeals affirming a judgment of the circuit court was against common right, in that every man may eat and drink all that he pleases, and, no matter what the result, cannot be charged with contributory negligence. We granted the application because the case was one of novel impression and of vast importance to the community at large, but upon full consideration we are satisfied that the judgment of the Court of Appeals must be sustained. As the conclusion reached by this court will be a precedent governing in all similar cases, we briefly state our reasons for the result which we announce.

The petitioner is a citizen of France, and the defendant is a corporation organized under the laws of the State of California. Petitioner sues for five thousand dollars.

The action is for the recovery of the amount of a policy of insurance, whereby, in consideration of \$5.00 premium paid, the defendant insured one Alphonse Gourmand in the sum of \$5,000 against indigestion. It appeared from the case presented at the trial on the part of the plaintiff that Gourmand, in company with sundry other individuals, residents of the city and county of San Francisco, State of California, and engaged in the business of fire underwriting, attended a banquet given by the plaintiff at the Palace Hotel in said city and county aforesaid on the twenty-first day of February, in the year of our Lord 1902. That previous to attending said dinner and experiencing the dangers incident thereto the said policy issued by said company was accepted by said plaintiff in good faith, and that its issuance was a condition precedent to the attendance of said plaintiff at said dinner. That in full and complete reliance upon the responsibility of said defendant, and in confident expectation of receiving the gross amount of said policy in the event of a visitation of the indigestion covered thereby, plaintiff indulged with considerable freedom in the various viands prepared by the said hotel upon the order and responsibility of said defendant and displayed alluringly upon the tables beneath which plaintiff gathered his heels. That on the day following plaintiff suffered a very serious and well-defined attack of the complaint or disease known and described as indigestion, being acutely afflicted with discomfort in the abdominal region. That among the various painful sensations were burning—a particularly alarming condition to a person engaged in the business by which plaintiff earns his precarious living. That the burning was succeeded by a disagreeable and offensive coppery taste in the mouth, and a general feeling of lassitude and depression, commonly known as "tired." That thereafter plaintiff was alarmed at the apparent formation of a large and peculiarly heavy lump which for a long period of time caused grievous bodily suffering, pain, anguish, and discomfort. That by reason of said suffering plaintiff despaired of his life and went to the expense of making his will. That he was unfit for the period of three days for the discharge of his customary avocation, and that he expended large sums in consulting the leading practitioners of the several medical schools, as well as an estimable and attractive lady who represented Christian Science.

Upon recovery he demanded of the duly accredited agent of the defendant the amount of the policy, submitting full and complete proof

that he had experienced the malady covered by the policy aforesaid, which was numbered 4-11-44.

The respondents rely upon two separate defenses: 1. Contributory negligence. Under this count they claim that the plaintiff failed to exercise ordinary precaution. That he indulged inordinately in both eating and drinking. That the viands he chose were incongruous in their character, and that the amount was grossly in excess of what any gentleman would attempt to surround. That the plaintiff persisted, in defiance of all good taste, in mixing his drinks, and in storing a quantity that endangered, and in fact invited, the result alleged. 2. As a further defense defendant alleged that plaintiff indulged himself to excess for the express purpose of inducing indigestion, and thereby recovering the amount of the policy. That such action is equivalent to arson in a fire risk, and not only vitiates the policy, but renders the plaintiff criminally liable.

The testimony sustained the allegations of the defendant, it being shown that in addition to the heels, which plaintiff incidentally admitted were placed under the table, the whole anatomy of the plaintiff was at times in danger of occupying that ignoble position.

Judgment was rendered for defendant, from which plaintiff appealed.

The judgment of the Court of Appeals, in finding for the respondent, is affirmed.

COMMONSENSE, Judge.

The Annual Banquet was a delightful affair, as usual. The attendance, as the accompanying diagram of the tables shows, was large.

The orchestra played many popular airs, and a quartette sang a number of comical songs. The banquet ended at a reasonable hour, and the members and guests of the Association wended their way homeward with expressions of satisfaction for a very enjoyable evening.

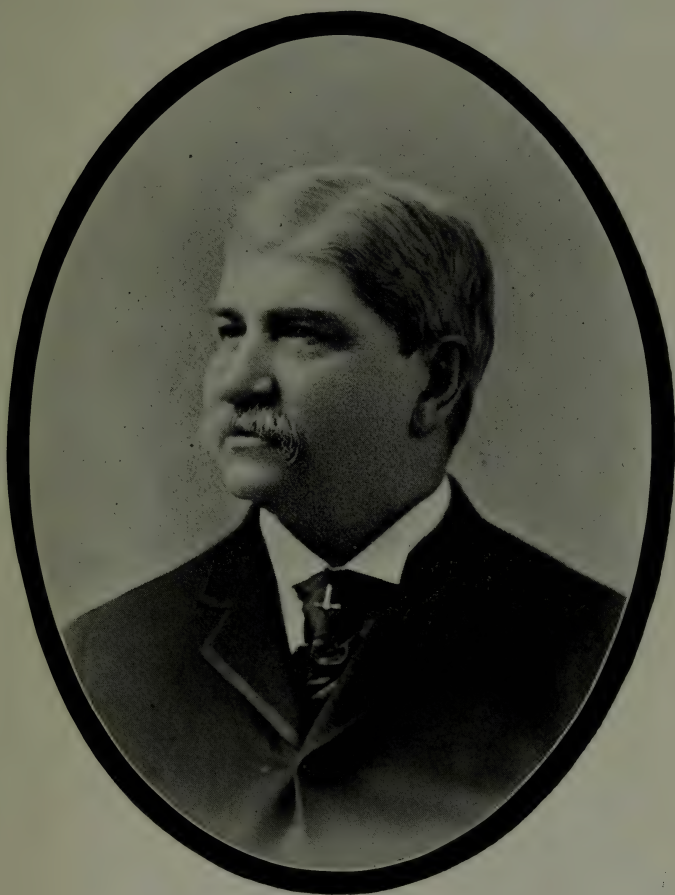
At a special meeting of the Fire Underwriters' Association of the Pacific, held in the rooms of the Association July 28, 1902, the following Memorial was unanimously adopted:

JAMES ROGERS GARNISS.

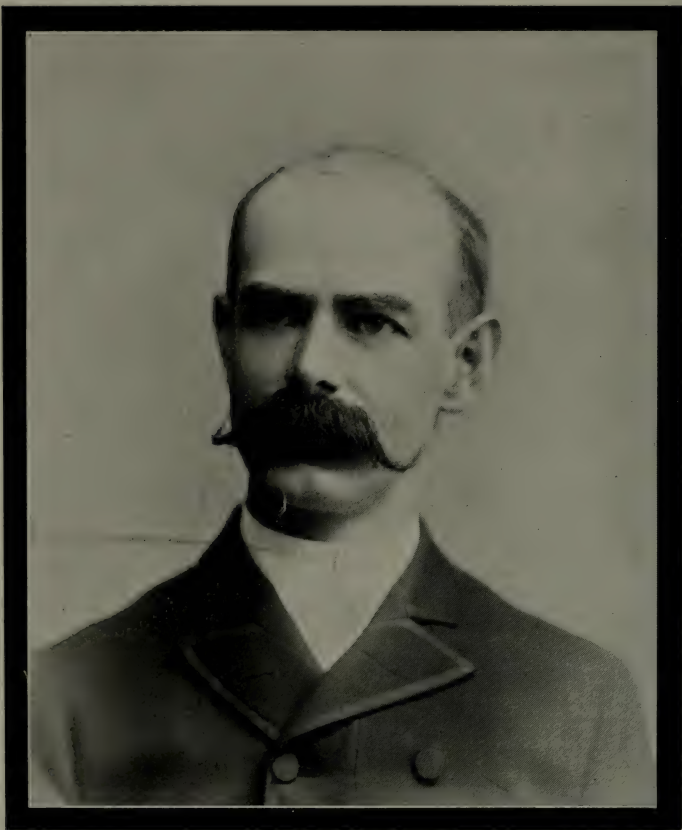
In the death of JAMES ROGERS GARNISS the Fire Underwriters' Association of the Pacific has lost one of its oldest members. Mr. Garniss was born near the city of New York, in Westchester county, November 30th, 1827, and at the time of his death and for many years previously, was a resident of the city of San Francisco. The record of his life fills a large page of the history of fire insurance on the Pacific Coast, for he was a leading Adjuster of fire losses, and well known for his keenness of perception and faithful guarding of the interests committed to his care. He was a good citizen, a painstaking, reliable and successful business man and a loyal friend. He was faithful and attentive to the last, and was at his post of duty when, on July 23rd, 1902, he suddenly and peacefully passed away.

It is resolved that the Fire Underwriters' Association of the Pacific spread this Memorial upon its minutes, and that a copy of same be engrossed and handed to his sorrowing wife, to whom, with his relatives and friends, it extends its heartfelt sympathy.

WM. J. LANDERS,	} Committee.
GEO. D. DORNIN,	
GEO. W. SPENCER,	



JAMES ROGERS GARNISS



THOMAS J. DUFFY

At a special meeting of the Fire Underwriters' Association of the Pacific, held in the rooms of the Association August 29, 1902, the following Memorial was unanimously adopted:

THOMAS J. DUFFY.

THOMAS J. DUFFY was born in the city of St. Louis, state of Missouri, in the year 1843, and arrived in California in his boyhood days, completing his education at Santa Clara College. He departed this life at his home in San Rafael, California, on the 25th day of August, 1902.

His experience in the insurance business extended over a period of thirty-five years, and embraced nearly every position, but most of his life was devoted to the interests of the companies he represented as their San Francisco city agent, and in Special work and in adjusting fire losses—in which he displayed more than ordinary aptness and ability.

He was of a warmhearted and cheerful disposition, exceedingly fond of music, being a violinist of considerable merit—a good husband and father, and to his sorrowing family the members of the Fire Underwriters' Association of the Pacific tender their heartfelt sympathy in this bereavement.

It is hereby resolved that this tribute to the memory of THOMAS J. DUFFY be spread upon the minutes of this Association, and an engrossed copy of the same be handed the family of our late associate.

CHAS. A. LATON,	} Committee.
F. J. H. MANNING,	
ED. O. HUGHES,	

At a special meeting of the Fire Underwriters' Association of the Pacific, held in the rooms of the Association October 4th, 1902, the following Memorial was unanimously adopted:

FREDERICK LAWRENCE HAVEN.

With a feeling of deep regret, we again record the death of an associate, one who, by his quiet and unassuming ways, endeared himself to all with whom he came in contact.

FREDERICK LAWRENCE HAVEN was born in San Francisco, on the 24th day of February, 1857, and died in Oakland, on the third day of October, 1902.

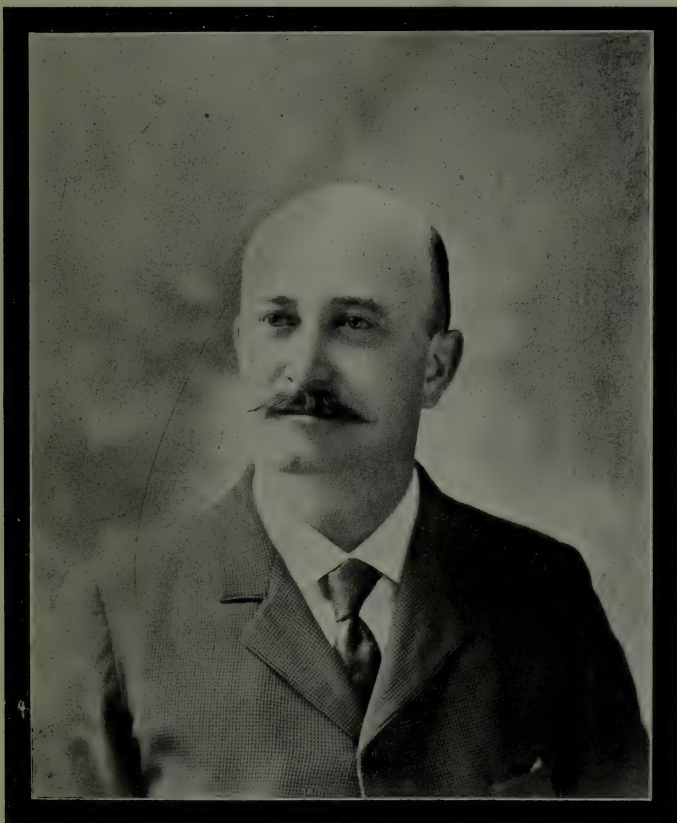
He received his education in the public schools, and after graduating from the Oakland High School, began his business career with the firm of Blake, Robbins & Co., where he remained until the year 1887, when he resigned to accept a call to associate himself with the office staff of the Liverpool & London & Globe Insurance Company.

He was a thorough student of all matters pertaining to his chosen profession, and by close application, untiring energy and unabating zeal he so proved his sterling worth that he steadily rose from junior clerk through the various branches of the service, until, some three years ago, he was advanced to the responsible office of Special Agent, which position he filled, until called by death, with the same fidelity and credit that had characterized all his work through life.

We, of the Fire Underwriters' Association, sincerely mourn his loss and extend to those to whom he was most near and dear, our heartfelt sympathy in their sore affliction.

The Association, in loving remembrance, causes this memorial to be spread upon its minutes and directs that an engrossed copy be sent to his loved ones.

GEORGE W. DORNIN, }
ROBT. H. NAUNTON, } *Committee.*
GEO. A. CRUX, }



FREDERICK L. HAVEN.

OFFICERS AND COMMITTEES.

List of Officers and Committees of the Fire Underwriters' Association of the Pacific, since organization :

Year	President	Vice-President	Secretary-Treasurer
1876	†Benjamin F. Lowe	Henry H. Bigelow	†John W. Staples
1877	George D. Dornin	William L. Chalmers	†John W. Staples
1878	†Augustus P. Flint	Edward Brown	†John W. Staples
1879	†Casper T. Hopkins	Andrew D. Smith	†John W. Staples
1880	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1881	Louis L. Bromwell	George F. Grant	†John W. Staples
1882	George F. Grant	Edwin W. Carpenter	†John W. Staples
1883	Edwin W. Carpenter	William Sexton	Robert H. Naunton
1884	William Sexton	Charles Mason Kinne	†Charles P. Farnfield
1885	Charles Mason Kinne	†Zenas P. Clark	Robert H. Naunton
1886	†Zenas P. Clark	†John W. Staples	Robert H. Naunton
1887	†John W. Staples	William L. Chalmers	Bernard Faymonville
1888	William L. Chalmers	Lemuel B. Edwards	Bernard Faymonville
1889	Lemuel B. Edwards	†William J. Callingham	Thomas W. Fenn
1890	Bernard Faymonville	William H. Lowden	Robert H. Naunton
1891	William H. Lowden	Henry M. Grant	George H. Tyson
1892	Henry M. Grant	Stephen D. Ives	Edward Niles
1893	Stephen D. Ives	Rolla V. Watt	Russell W. Osborn
1894	Rolla V. Watt	V. Carus Driffeld	Russell W. Osborn
1895	V. Carus Driffeld	Herbert Folger	Louis Weinmann
1896	Herbert Folger	Russell W. Osborn	Louis Weinmann
1897	Russell W. Osborn	Louis Weinmann	Calvert Meade
1898	Louis Weinmann	Edward Niles	Calvert Meade
1899	Edward Niles	Frank J. Devlin	Calvert Meade
1900	Frank J. Devlin	George W. Dornin	Calvert Meade
1901	George W. Dornin	William H. Gibbons	Calvert Meade
1902	William H. Gibbons	Whitney Palache	Calvert Meade
1903	Whitney Palache	Jacob L. Fuller	Calvert Meade

EXECUTIVE COMMITTEE.

1876	Louis L. Bromwell	James R. Garniss	George F. Grant
1877	Edward Brown	William J. Sanders	Andrew D. Smith
1878	Andrew D. Smith	Oliver H. Cole	George W. Spencer
1879	†Augustus P. Flint	William Macdonald	Albert R. Gunnison
1880	George F. Grant	Edward Brown	Oliver H. Cole
1881	George W. Spencer	Edwin W. Carpenter	Charles Mason Kinne
1882	Thomas Edward Pope	Andrew D. Smith	†Thomas A. Mitchell
1883	George F. Grant	Harvey W. Snow	Oliver Hawes
1884	George F. Grant	Harvey W. Snow	Oliver Hawes
1885	George F. Grant	Harvey W. Snow	Oliver Hawes

†Deceased.

EXECUTIVE COMMITTEE—Concluded.

1886	Henry K. Belden	†George F. Ashton	Calvert Meade
1887	Henry K. Belden	†George F. Ashton	Calvert Meade
1888	†William J. Callingham	George C. Pratt	Rolla V. Watt
1889	Bernard Faymonville	William H. Lowden	Henry K. Belden
1890	Henry K. Belden	George Easton	Henry M. Grant
1891	Henry K. Belden	George Easton	Alfred Stillman
1892	Alfred Stillman	George Easton	V. Carus Driffeld
1893	V. Carus Driffeld	William H. Lowden	William Sexton
1894	Herbert Folger	Franz Jacoby	James H. De Veuve
1895	Russell W. Osborn	Frank J. Devlin	John T. Fogarty
1896	Frank J. Devlin	George W. Dornin	Whitney Palache
1897	Frank G. Argall	Edward Niles	Robert P. Fabj
1898	Whitney Palache	†William H. Bagley	Leslie A. Wright
1899	John T. Fogarty	Alfred R. Grim	Whitney Palache
1900	Edward Niles	William H. Lowden	Russell W. Osborn
1901	Frank J. Devlin	Rolla V. Watt	William Sexton
1902	George W. Dornin	Herbert Folger	Louis Weinmann
1903	W. H. Gibbons	Herbert Folger	Louis Weinmann

LIBRARY COMMITTEE.

1876	George W. Spencer	Robert H. Magill	Byron C. Dick
1877	James W. Hart	Hugh Craig	Samuel D. Mayer
1878	J. W. Kinsley	George W. Spencer	Ludwig Beck
1879	Oliver H. Cole	Joseph C. Jennings	William J. Landers
1880	George E. Butler	Edward Brown	Charles J. Van Tassel
1881	†John W. Staples	†William J. Callingham	Robert H. Naunton
1882	George W. Spencer	†Samuel O. Hunt	†John W. Staples
1883	†John W. Staples	George W. Spencer	Robert H. Naunton
1884	†Casper T. Hopkins	George D. Dornin	†Andrew J. Bryant
1885	George W. Spencer	William Sexton	†Samuel O. Hunt
1886	George W. Spencer	William Sexton	
1887	George W. Spencer	Rudolph Herold, Jr	Thomas Edward Pope
1888	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1889	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1890	George W. Spencer	Edwin W. Carpenter	
1891	George W. Spencer	Edwin W. Carpenter	†Alexander J. Wetzlar
1892	George W. Spencer	Herbert Folger	James H. De Veuve
1893	Herbert Folger	Henry K. Belden	Richard C. Medcraft
1894	†Alexander J. Wetzlar	A. G. Dugan	Benjamin J. Smith
1895	A. G. Dugan	Herbert Folger	Edward P. Farnsworth
1896	Frank G. Argall	George W. Dornin	Charles C. Echlin
1897	William Maris	Charles C. Echlin	Herbert Folger
1898	Herbert Folger	Benjamin J. Smith	Frederick B. Kellam
1899	Herbert Folger	H. McD. Spencer	Whitney Palache
1900	Herbert Folger	Frederick B. Kellam	Frank G. Argall
1901	Jacob L. Fuller	Charles B. Hill	Peter F. Gilroy
1902	Jacob L. Fuller	Peter F. Gilroy	Frederick B. Kellam
1903	A. M. Brown	Clinton Folger	D. A. Spencer

†Deceased

CALIFORNIA KNAPSACK.

1879	Charles Mason Kinne, Editor	William Macdonald, Associate Editor
1880	Charles Mason Kinne, Editor	
1881	Charles Mason Kinne, Editor	George F. Grant, Associate Editor
1882	Charles Mason Kinne, Editor	
1883	Charles Mason Kinne, Editor	
1884	Charles Mason Kinne, Editor	
1885	George F. Grant, Editor	
1886	George F. Grant, Editor	
1887	Edwin W. Carpenter, Editor	
1888	†Alexander J. Wetzlar, Editor	
1889	†Alexander J. Wetzlar, Editor	
1890	George F. Grant, Editor	
1891	George F. Grant, Editor	
1892	George F. Grant, Editor	
1893	George F. Grant, Editor	
1894	George F. Grant, Editor	Edward Niles, Associate Editor
1895	George F. Grant, Editor	Edward Niles, Associate Editor
1896	George F. Grant, Editor	Edward Niles, Associate Editor
1897	George F. Grant, Editor	Edward Niles, Associate Editor
1898	George F. Grant, Editor	Edward Niles, Associate Editor
1899	George F. Grant, Editor	Edward Niles, Associate Editor
1900	George F. Grant, Editor	Edward Niles, Associate Editor
1901	George F. Grant, Editor	Edward Niles, Associate Editor
1902	George F. Grant, Editor	Edward Niles, Associate Editor
1903	George F. Grant, Editor	Edward Niles, Associate Editor
	†Deceased	

DINNER COMMITTEE.

(From first banquet in 1881, George W. Spencer, retiring president, to the present time):

George W. Spencer

George F. Grant



LIST OF MEMBERS—FEBRUARY, 1903.

ACTIVE MEMBERS.

- Agard, J. J., Special Agent, Hartford Fire Insurance Company.
Andre, A. A., Independent Adjuster.
Ankele, J. H., Special Agent, North German Fire Insurance Co.
Argall, F. G., Independent Adjuster.
Bailey, A. E., Special Agent, Insurance Company of North America.
Bailey, J. D., General Agent, Insurance Company of North America.
Bailey, A. T., Special Agent Home F. & M. Insurance Company.
Bangs, Franklin, Secretary, Home F. & M. Insurance Company.
Bates, H. L. A., Special Agent, C. J. Stovel's Agency.
Beck, J. M., Manager, Fire Association of Philadelphia.
Belden, H. K., Manager, Hartford Fire Insurance Company.
Benner, Harry, Special Agent, German-American, Phoenix, New Hampshire and German Alliance Ins. Co's.
Bertheau, C., Manager, Aachen & Munich and Hanover Ins. Co's.
Bertheau, Max A., Assistant Manager, Hanover Insurance Co.
Blanchard, H. P., Special Agent, Fireman's Fund Insurance Co.
Boardman, Geo. C., of Boardman & Spencer, Gen. Agts. Aetna Ins. Co.
Boardman, T. D.
Boyd, H. C., Assistant Manager, Hamburg-Bremen Insurance Co.
Bromwell, L. L., General Agent, Milwaukee Mechanics Ins. Co.
Broomell, B. B., Special Agent and Adjuster.
Brown, Edward, of E. Brown & Sons, General Agents, American (Pa.), Delaware, Svea and Agricultural.
Brown, A. M., of E. Brown & Sons.
Brown, H. H., of E. Brown & Sons.
Brush, R. G., Special Agent, Liverpool & London & Globe Ins. Co.
Burke, H. R., Special Agent, Royal and Queen Insurance Companies.
Butler, Geo. E., of Butler & Hewitt, General Agents, Phoenix Assurance Co. of London, Providence-Washington and Pelican.
Campbell, Warren, Special Agent, Los Angeles, Cal.
Chipman, W. F., Special Agent, German-American, Phoenix, New Hampshire and German Alliance Ins. Co's.
Christensen, Chas., of Christensen, Edwards & Goodwin, Managers, American Central, St. Paul, American (N. J.) and Mercantile Ins. Co's.
Coddington, Geo. C., Special Agent National and Springfield Ins. Co's.
Conroy, T. J., Manager, Manchester, Caledonian and Rochester German Ins. Co's.

- Conrad, J. G., of Voss, Conrad & Co., Gen'l Agts., Thuringia Ins. Co.
 Cosgrove, J. E., Special Agent Scottish Union & National Ins. Co.
 Craig, Homer A., General Adjuster, Pennsylvania Fire Ins. Co.
 Crowell, H. W., with H. McD. Spencer's Agency.
 Crux, Geo. A., Special Agent, Manchester, Caledonian and Rochester
 German Insurance Companies.
 Cunningham, Jas. C., Special Agent, American Central, St. Paul,
 American (N. J.) and Mercantile.
 Danker, H., Assistant Manager, Transatlantic Fire Ins. Co.
 Davenport, Dixwell, Special Agent, Catton, Bell & Co.
 Deering, Chester, Special Agent, Pennsylvania Fire Ins. Co.
 DeGolia, Edwin B.
 Delafield, Robt. H.
 De Lappe, R. Special Agent, American (N. J.), American Central,
 St. Paul and Mercantile Ins. Co's.
 Dennis, Jas. D., Special Agent, Hartford Fire Ins. Co.
 Devlin, Frank J., Manager, Atlas Insurance Company.
 Dibbern, J. H., of Mannheim, Dibbern & Co., City Agency.
 Dick, B. C., Independent Adjuster.
 Dickson, Frank W., Manager, Royal Exchange Assurance Co.
 Dornin, Geo. D., Manager, National and Springfield Ins. Co's.
 Dornin, Geo. W., Ass't Mgr., National and Springfield Ins. Co's.
 Dornin, John C., Special Agent, National and Springfield Ins. Co's.
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 Dutton, W. J., President, Fireman's Fund Insurance Co.
 Dutton, Grayson, Special Agent, Fireman's Fund Ins. Co.
 Echlin, Chas. C., Special Agent, Home F. & M. Insurance Co.
 Edwards, L. B., of Christensen, Edwards & Goodwin, Managers,
 American Central, St. Paul, American (N. J.) and Mercantile
 Ins. Co's.
 Eitel, Edw. E., Special Agent, Home F. & M. Insurance Company.
 Fabj, R. P., General Agent, Fireman's Fund Insurance Company.
 Farnsworth, Ed. P., Independent Adjuster.
 Faymonville, Bernard, Vice-president, Firemen's Fund Insurance Co.
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 Field, Alexander, Special Agent, Catton, Bell & Co.
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 Folger, Clinton, with New Zealand Ins. Co.'
 Folger, Herbert, Ass't Gen. Agent, German-American, Phoenix, New
 Hampshire and German Alliance Ins. Co's.

- Fores, Harry W., with Scottish Union & National Insurance Co.
Frank, Wm., of Gutte & Frank, General Agents.
Francis, Guy, Special Agent, Connecticut Fire Insurance Company.
French, John S., Special Agent, Fireman's Fund Ins. Co.
Friend, R. B., Special Ag't, with Voss, Conrad & Co.'s Gen'l Agency.
Frith, T. T., Special Agent, Imperial and Niagara Ins. Companies.
Fuller, J. L., Ass't Manager, Norwich Union Fire Insurance Society.
Gartner, A. F., Adjuster, Seattle, Wash.
Gazzam, W. L., Special Agent, Aetna Ins. Co., Seattle, Wash.
Gerould, P. E., Special Agent, National and Springfield Ins. Co's.
Gibbons, W. H., Special Agent, E. Brown & Sons General Agency.
Gilliland, Adam, Special Agent, Hartford Fire Insurance Company.
Giesy, A. W., Special Agent, Nor. Union Fire Ins. Soc'y, Salem, Or.
Goggin, Gerald E., Special Agent, London and Northern Assur. Co.
Goodwin, Benjamin, of Christensen, Edwards & Goodwin, Managers
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Gilroy, P. F., General Agent, German-American, Phoenix, New
Hampshire and German Alliance.
Grant, Geo. F., Manager, Franklin Fire Insurance Company.
Grant, H. M., Independent Adjuster, Portland, Oregon.
Grant, Tom C., General Agent, North British & Mercantile Ins. Co.
Griffith, John T.
Grim, Alfred R., Assistant Manager, Aachen & Munich Ins. Co.
Gunn, John W., Special Agent, Liverpool & London & Globe.
Gutte, I., of Gutte & Frank, General Agents.
Gordon, Harry F., of Gordon & Frazer, Gen'l Agts. Traders Ins. Co.
Haldan, E. B.
Hall, O. N., Special Agent, Thuringia Insurance Company.
Hally, F. W., Special Agent, Aachen & Munich and Hanover Ins.
Companies.
Hamilton, J. K., Special Agent, Insurance Co. of North America.
Haven, Chas. D., Resident Secretary, Liverpool & London & Globe.
Henry, Carl A., of C. A. Henry & Co., General Agents, Sun Ins.
Office and Michigan F. & M. Ins. Co.
Hewitt, Dixwell, of Butler & Hewitt, General Agents, Phoenix Assur-
ance of London, Providence-Washington and Pelican Ins. Co's.
Herold, Rudolph, General Agent, Hamburg-Bremem Fire Ins. Co.
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Hill, Chas. S., Special Agent, National and Springfield Ins. Co.
Hill, Wm. H., Special Agent, Edward Brown & Sons, Gen'l Agency.
Holmes, Jno. M., Special Agent, Hartford Fire Insurance Company.

- Hoagland, W. W., Special Agent, Sun Ins. Office and Michigan F. & M. Ins. Co.
- Hopkins, W. B., Special Agent, London & Lancashire Fire Ins. Co.
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- Hughes, Ed. O., Special Agent, Commercial Union, Alliance and Palatine Insurance Companies.
- Ives, S. D., Vice President, Home F. & M. Insurance Company.
- Jackson, W. A., Special Agent, Commercial Union Alliance and Palatine Insurance Companies.
- Jacoby, Franz, with Cesar Bertheau's General Agency.
- Kellam, F. B., Special Agent, Royal and Queen Insurance Co's.
- Kinne, C. Mason, Ass't Resident Secretary, Liv. & Lon. & Globe.
- Klinger, Wm. M., Special Agent, Fireman's Fund Insurance Co.
- Knight, L. W.
- Lamey, H. T., Manager Western Assurance and British-America Assurance Companies.
- Lamping, L. F., Special Agent, Thuringia Insurance Company.
- Landers, Wm. J., Resident Manager, Northern and Niagara Ins. Cos.
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- Lockey, Richard, Independent Adjuster, Helena, Montana.
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- Lowden, W. H., Manager, Norwich Union Fire Insurance Society.
- Luke, H. L.
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- Macdonald, Wm., Manager, London & Lancashire, Orient, State and Netherlands Ins. Co's.
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- Mann, H. R., of Mann & Wilson, Managers, New York Underwriters' Agency.
- Manning, F. J. H., Special Agent, Commercial Union, Alliance and Palatine Insurance Companies.
- Manning, William, Special Agent, Atlas Assurance Company.
- Maris, Wm., Special Agent, Royal and Queen Insurance Companies.
- Mayer, F. J. Alex, Oregon State Agent Fire Ass'n of Philadelphia.
- Meade, Calvert, Independent Adjuster, Secretary Fire Underwriters' Association.
- Medcraft, R. C., with Catton, Bell & Co.
- Mel, Louis, Special Agent, Ætna Insurance Company.

- Mendell, Geo. H., Jr., Ass't Secretary, Fireman's Fund Ins. Co.
Mendell, Jno. M., Special Agent, Northern and Niagara Ins. Co's.
Merrill, M. H., Special Agent, Commercial Union, Alliance and Palatine Ins. Co's.
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Miles, D. E., Assistant Manager London & Lancashire Fire Ins. Co.
Mitchell, Geo. M., Northern California Agent, Westchester Fire Ins. Co.
Morgan, W. O., Special Agent, Hartford Fire Insurance Company.
Morrison, Ed. C., Supervisor of Agencies, Aetna Insurance Co.
Morrow, J. H., District Manager, Los Angeles, Cal.
Mullins, C. F., Manager, Commercial Union, Alliance and Palatine Insurance Companies.
Naunton, R. H., Special Agent and Adjuster.
Niebling, E. T., Ass't Manager, Commercial Union, Alliance and Palatine Insurance Companies.
Niles, Edward, Supt. of Agencies, North British and Mercantile Insurance Co.
Nippert, Paul M., State Agent, Delaware Ins. Co.
Osborn, R. W., Manager, Pennsylvania Fire Ins. Co.
Overton, G. E., Special Agent, Milwaukee Mechanics Ins. Co.
Olney, P. de S., Special Agent, Commercial Union, Alliance and Palatine Insurance Companies.
Palache, Whitney, Manager, Hartford Fire Insurance Co.
Parker, Chas. T.
Parkhurst, H. E., District Manager, Salt Lake City, Utah.
Paterson, A. R. D., Special Agent, Thos. J. Conroy's Agency.
Pierce, D. W., Special Agent, New York Underwriters.
Pope, T. Edward.
Raymond, W. H., Special Agent, Liv. & London and Globe Ins. Co.
Reed, James S., Special Agent, Connecticut Fire Ins. Co.
Richards, John D.
Richards, J. H., Special Agent, Traders' Insurance Company.
Roberts, Tom R., Special Agent, Transatlantic Fire Ins. Co.
Robbins, F. C. H., Special Agent, London and Northern Assurance Companies.
Rodgers, Henry C.
Schlingheyde, C. E.
Scott, Chas. O., Special Agent, Insurance Co. of North America.
Seaton, L. M., Special Agent, Fireman's Fund Insurance Company.

- Sewell, A. F., Special Agent, German Insurance Company.
 Sexton, Wm., General Adjuster, Fireman's Fund Insurance Co.
 Shankland, T. C., Special Agent, E. D. Potter's Agency.
 Smedburg, W. R.
 Smith, Ben. J., Manager, Connecticut Fire Insurance Company.
 Smith, Frank G., Special Agent, London & Lancashire Ins. Co.
 Smith, C. W.
 Smith, H. Brownson, Independent Adjuster, Butte, Montana.
 Smith, H. H., Special Agent, Union Assurance and Law Union & Crown Insurance Companies.
 Spears, J. V., Special Agent, Fireman's Fund Ins. Co.
 Spencer, D. A., Independent Adjuster.
 Spencer, Geo. W., of Boardman & Spencer, Gen'l Ag'ts, Aetna Ins. Co.
 Spencer, H. McD., State Agent, Phenix Insurance Co. of Brooklyn.
 Speyer, Walter M., Special Agent, New York Underwriters Agency and Teutonia Ins. Co's.
 Speyer, Walter, General Agent, North German Fire Insurance Co.
 Staniford, F. C., Special Agent, Norwich Union Fire Ins. Society.
 Stovel, C. J., General Agent, American, Dutchess, New York and United Firemen's Ins. Co's.
 Stover, Fred R., Special Agent, Scottish Union and National Ins. Co.
 Stoy, Samuel B., Special Agent, London & Lancashire Fire Ins. Co.
 Streeter, Wm. B., Special Agent, Aachen & Munich and Hanover Ins. Co's.
 Summerland, Theo., Special Agent, Liv. & London & Globe Ins. Co.
 Thomas, J. O., Special Agent, Royal Insurance Company.
 Thomas, W. P., Manager, New Zealand Insurance Company.
 Thomson, A. M., Special Agent, Pacific Underwriters.
 Thompson, Chas. R., Special Agent, German-American Ins. Co.
 Thompson, E. R., Special Agent, Atlas Assurance Company.
 Thomson, M. H., Special Agent, Pacific Underwriters and Colonial Fire Underwriters.
 Thornton, A. W., Special Agent, London and Niagara Ins. Co's.
 Thornton, A. C., Special Agent, Fireman's Fund Insurance Co.
 Tiedemann, T. J. A., Gen'l Ag't, Scottish Union & National Ins. Co.
 Tyson, Geo. H., General Agent, German-American, Phoenix, New Hampshire, and German-Alliance Ins. Co's.
 Von Etlinger, A. T., Special Agent, Commercial Union, Alliance and Palatine Ins. Co's.
 Walden, J. B., Special Agent, Royal and Queen Insurance Co's.

- Walsh, Frank E., Special Agent, Milwaukee Mechanics Ins. Co.
Los Angeles.
- Ward, C. H., General Agent, German, Freeport.
- Waters, J. N., Special Agent, National and Springfield Ins. Co's.
- Watt, Rolla V., Manager, Royal and Queen Insurance Companies.
- Wayman, W. O., Manager, Pacific Underwriters and Colonial Fire
Underwriters Ins. Co's.
- Webber, J. F. R., Ass't Secretary, Home F. & M. Ins. Co.
- Weinmann, Louis, Secretary, Fireman's Fund Insurance Co.
- Wellington, Geo. J.
- Wenzelburger, A., Independent Adjuster.
- Whelan, W. D., Special Agent, Fireman's Fund Ins. Co.
- White, F. G., Special Agent, Fireman's Fund Insurance Company.
- Whitmer, A. W., Special Agent, Home F. & M. Insurance Co.
- Whitley, N. B., Special Agent, Home Insurance Company.
- Williams, T. H., Special Agent, Sun Ins. Office, Portland, Oregon.
- Wilson, J. Scott, of Mann & Wilson, General Agents, New York
Underwriters Agency and Teutonia Ins. Co.
- Wilson, Walter J., Resident Manager Northern Assurance Co.
- Young, Frank W., Special Agent, Thuringia Insurance Company.

HONORARY MEMBERS.

- Chard, Thomas S. Chicago, Illinois.
- Chalmers, W. L., Portland, Oregon.
- Carpenter, E. W., Foxboro, Mass.
- Carey, Jas. A., San Francisco.
- Cofran, J. W. G., Chicago, Ill.
- Dickson, Robt., New York.
- Donnell, S. M., San Francisco.
- Du Val, W. S., San Francisco.
- Gunnison, A. R., San Francisco
- Heifner, C. G., Olympia, Wash.
- James, N. T., San Francisco.
- Low, Geo. P., San Francisco.
- Laton, Chas. A., San Francisco.
- Marshall, John Jr., Chicago, Ill.
- McElhone, F. H., Chicago, Ill.
- Mohrhardt, E. F., San Francisco.

Neal, Robt. W., San Francisco.
 Nichols, C. M., San Francisco.
 Porter, F. H., San Francisco.
 Stillman, Alfred, San Francisco.
 Smith, A. D., Oakland, Cal.
 Thompson, E. L., Portland, Oregon.
 Wilson, D. B., San Francisco.
 Williams, Sylvester G., Denver, Colo.
 Winne, Peter, Denver, Colo.

Two hundred and sixteen Active Members.
 Twenty-five Honorary Members.

San Francisco Address of the Officers of the Fire Underwriters' Association of the Pacific, for the year 1903.

Whitney Palache, President,	- -	313 California Street.
J. L. Fuller, Vice-president,	- -	314 California "
Calvert Meade, Secretary and Treasurer,		503 Safe Deposit Building.
W. H. Gibbons, Chairman Executive Committee,	- - - -	311½ California Street.
A. M. Brown, Chairman Library Committee,	- - - -	311½ " "
George F. Grant, Editor Knapsack,	-	218 Sansome "
Edward Niles, Associate Editor Knapsack,		212 Pine "
Association Library Room,	- -	502 Safe Deposit Building.

Fire Underwriters' Association

Of the Pacific

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PRESIDENT	-	-	-	-	-	-	-	WHITNEY PALACHE
VICE-PRESIDENT	-	-	-	-	-	-	-	J. L. FULLER
SECRETARY-TREASURER-LIBRARIAN	-	-	-	-	-	-	-	CALVERT MEADE

STANDING COMMITTEES FOR 1903:

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HERBERT FOLGER	W. H. GIBBONS	-	-	Chairman	LOUIS WEINMANN
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LIBRARY COMMITTEE

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F. J. DEVLIN	C. MASON KINNE	GEORGE H. TYSON

DINNER COMMITTEE

GEORGE W. SPENCER	GEORGE F. GRANT
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CALIFORNIA KNAPSACK

GEORGE F. GRANT	-	-	Editor
EDWARD NILES	-	-	Associate Editor

PROCEEDINGS

Of the

TWENTY-EIGHTH ANNUAL MEETING

Of the

FIRE UNDERWRITERS' ASSOCIATION

OF THE PACIFIC



SAN FRANCISCO, CAL., JANUARY 12-13, 1904

PRINTED BY ORDER OF THE ASSOCIATION

1904.

COAST REVIEW PRINTING CO. PRINT

TWENTY-EIGHTH ANNUAL MEETING

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FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC

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VICE-PRESIDENT	-	-	-	-	-	-	-	J. L. FULLER
SECRETARY AND TREASURER	-	-	-	-	-	-	-	CALVERT MEADE

EXECUTIVE COMMITTEE

HERBERT FOLGER	W. H. GIBBONS	-	-	Chairman	LOUIS WEINMANN
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LIBRARY COMMITTEE

CLINTON FOLGER	A. M. BROWN	-	-	Chairman	D. A. SPENCER
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ELECTION COMMITTEE

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JAMES D. BAILEY	L. B. EDWARDS	E. T. NIEBLING
FRANKLIN BANGS	GEORGE F. GRANT	R. W. OSBORN
CESAR BERTHEAU	F. B. KELLAM	H. McD. SPENCER
F. J. DEVLIN	C. MASON KINNE	GEO. H. TYSON

DINNER COMMITTEE

GEORGE W. SPENCER	GEORGE F. GRANT
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CALIFORNIA KNAPSACK

GEORGE F. GRANT	-	-	Editor
EDWARD NILES	-	-	Associate Editor



WHITNEY PALACHE.

Fire Underwriters Association

Of the Pacific.

FIRST DAY.

SAN FRANCISCO, CAL., JANUARY 12, 1904.

The following members and guests were present at the annual meeting of January 12th and 13th, 1904:

Andre, A. A.	Driffield, V. C.
Bacon, E. H.	Du Val, W. S.
Bailey, A. T.	Dutton, Grayson
Bates, Leslie	Edwards, L. B.
Benner, Harry	Eitel, E. E.
Brown, A. M.	Elwell, Wm. T.
Brush, R. G.	Farnsworth, E. P.
Burke, H. R.	Field, Alex.
Cleveland, W. W.	Fisken, A. F.
Codding, Geo. C.	Flack, E. B.
Cosgrove, Jno. E.	Folger, Clinton
Conroy, T. J.	Folger, Herbert
Corson, T.	Fortmann, W. G.
Cory, Prof. C. L.	Frank, Wm.
Crandall, J. E.	French, J. H.
Crowell, H. W.	Fuller, J. L.
Crux, Geo. A.	Fuller, J. H.
Cunningham, J. C.	Gallegos, R.
Danker, H.	Gaston, G. H.
Dennis, J. J.	Gerould, P. E.
Devlin, F. J.	Gibbons, W. H.
De Jarnatt, W. B.	Giesy, A. W.
Delafield, R. H.	Gilliland, Adam.
Dick, B. C.	Gilroy, P. F.
Dornin, Geo. D.	Grant, Geo. F.

Grim, A. R.	Richards, J. H.
Gunn, Jno. W.	Rooklidge, J. W.
Gunnison, A. W.	Rosenblatt, G.
Hally, F. W.	Rountree, R. H.
Hamilton, J. K.	Schlingheyde, C. E.
Hewitt, Dexwill	Scott, C. O.
Hill, W. H.	Sexton, Wm.
Hill, C. S.	Smith, H. H.
Holmes, John M.	Smith, B. J.
Jackson, H. R.	Spencer, D. A.
Kellam, F. B.	Stillman, Alfred
Kinne, C. Mason	Stone, J. C.
Lord, L. H.	Thieme, O.
Lowden, W. H.	Thompson, Chas. R.
Maris, Wm.	Thompson, E. R.
McKenzie, Lee	Thornton, A. W.
Meade, Calvert	Thornton, A. C.
Medcraft, R. C.	Tiedemann, T. J. A.
Mel, Louis	Urmston, J. K.
Mendell, Geo. H. Jr.	Vint, J. H.
Mendell, J. M.	Walden, J. B. Jr.
Mesick, S. P.	Warner, J. W.
Mohrhardt, E. F.	Waters, J. N.
Moore, J. P.	Watt, Rolla V.
Morgan, W. O.	Whitney, A. W.
Morrison, E. C.	White, F. G.
Murphy, J. A.	Whitley, N. B.
Osborn, R. W.	Whitmer, A. W.
Palache, Whitney	Weinmann, Louis
Phelps, W. W.	Wendler, Chas.
Plehn, Prof. Carl C.	Wilson, Walter J.
Raymond, W. H.	Zwick, W. F.

The President—Gentlemen of the Association: It gives me very great pleasure, indeed, to call to order the Twenty-eighth Annual Meeting of the Fire Underwriters' Association of the Pacific. As I shall, following a time honored custom, address you formally during the course of the morning, I will do nothing further than to welcome you at this

time. We will proceed at once to the business of the meeting. I believe the Secretary has some matters that he desires to submit to us.

The Secretary—Mr. President, I have applications for membership, and communications, but I would first suggest, as we have two members upon our active list, Mr. J. H. Morrow, of Los Angeles, California, and Mr. H. E. Parkhurst, of Salt Lake City, Utah, both District Managers of the Board of Fire Underwriters, who should be on the Honorary instead of the Active list. In that connection, I move that their dues for the last year be remitted, and that they be transferred from the Active to the Honorary list.

Mr. Sexton—I second the motion.

Motion unanimously carried.

The President—As to the application for membership, I believe it is customary at the Annual Meeting to suspend the rules and elect the applicants without referring them to the Election Committee. The Secretary reports that the applicants are all eligible, under our rules, and I will therefore ask him to read the list, and then ask your pleasure in the matter.

The Secretary—The names of the applicants are as follows, and I include for Honorary membership with these gentlemen the names of Lee McKenzie, Chief Surveyor at Seattle, Washington, and J. C. Stone, Surveyor at Portland, Oregon, Oscar Thieme, William T. Elwell, Walter E. Bliss, Frederick H. Farr, Arthur C. Nason, J. W. Rooklidge, J. K. Urmston, Charles A. Wendler, A. C. Olds, F. W. Gaston, C. D. Gabrielson, William A. Sexton, Walter G. Fortmann, J. H. Fuller, Frank J. Agnew, V. H. Quitzow, Kenneth Watson, Churchill Taylor.

The President—I think the names can be acted upon without any great hazard. What is your pleasure?

Mr. Gunn—I move that the rules be suspended, and that the gentlemen whose names have been read, be elected to active membership in the Association.

The motion was duly seconded, and, on being put by the Chair, unanimously passed.

The President—I understand that there are some resignations to be read.

The Secretary—Yes, Mr. President. I have the following resignations to present to the Association: John O. Thomas, H. C. Rogers, Tom R. Roberts, H. L. Luke, L. W. Knight, and T. D. Boardman.

The President—Gentlemen, what is your pleasure? I understand that all of these resignations are owing to the fact that the parties have gone out of the business.

The Secretary—That is correct.

Mr. D. A. Spencer—I move that the resignations of the gentlemen named be accepted.

Mr. Herbert Folger—I second the motion.

The motion passed unanimously.

The President—You have some communications, I believe, Mr. Secretary, in which the Association will be interested, that might be read at this time.

The Secretary—Yes, sir. There are three communications, one from the State of Oregon and two from the State of Washington, in which the members will be particularly interested. The first one is from the Insurance Commissioner of Oregon, and reads:

Salem, Oregon, January 9, 1904.

Mr. F. I. Dunbar regrets exceedingly that circumstances prevent his acceptance of the cordial invitation extended by the Fire Underwriters' Association of the Pacific to attend the 28th Annual Dinner, Wednesday evening, January 13th, and begs to thank the members of the Association for the courtesy extended.

The next is from the Insurance Commissioner of the State of Washington, Mr. Samuel H. Nichols.

Olympia, January 9, 1904.

MR. WHITNEY PALACHE, President.

DEAR SIR:—

Your invitation requesting the pleasure of my company at the twenty-eighth Annual Dinner, Wednesday evening, January 13th, 1904, also the programme received. I intended to be present prior to receiving your invitation, believing from the former courtesies extended me that the latch string was always out on such occasions, but circumstances arose pertaining to my official duties which will preclude my being present. I deeply regret it, as I had looked forward to a pleasant visit with friends at your annual. Also, I have felt it a duty the Commissioner of this State owed those who are at the head of the several companies doing business in the State of Washington, to meet on these occasions, as it gives an opportunity to exchange views pertaining to insurance matters. Socially, it establishes a bond of friendship which each can appreciate and hold in remembrance in years to come. I wish you all success during the coming year, and hope we may all be spared to meet each other in 1905. I extend my sincere thanks for your kind invitation, and assure you that I wish you all a pleasant re-union around the festive board and a prosperous and happy new year, with less red light whereby losses can be figured up against your companies. Accept my best wishes.

There is also a letter from Mr. J. H. Schively, Deputy Insurance Commissioner.

Olympia, January 9, 1904,

MR. WHITNEY PALACHE, President.

DEAR SIR:—

I desire to thank you, and through you the officers and members of the Fire Underwriters' Association of the Pacific, for your kind invitation to be present at your Twenty-eighth Annual Session, and to express my sincerest regrets that I shall be unable to be with you. I look upon these annual gatherings as oases in my official life, and always look forward to them with happiest and brightest anticipation. This time, however, the force of circumstances is overwhelmingly against me, and I am compelled reluctantly to forego the pleasure of being with you. I wish you a pleasant and profitable session. Please convey both to yourself and the officers and members of the Association my sincerest good wishes, and the expression of my most earnest desire that the year 1904 will not be so red with the flames of burning buildings as during the year 1903.

The President—If there are no suggestions, the communications will be ordered filed. The regular order of business contains the calling of the roll and reading of the minutes of the previous business meeting. It has been customary to dispense with the calling of the roll. As to the minutes, the minutes of the last Annual Meeting have been printed. We have had five special meetings, but nothing of any special note, and I think we can probably dispense with that to good advantage. I would ask your pleasure.

The Secretary—I move that the usual order be given these matters, Mr. President, and dispense with both the calling of the roll and the reading of the minutes of previous business meetings.

Mr. Sexton—I second the motion.

The President—If there are no objections, we will dispense with both the calling of the roll and the reading of the minutes. It is so ordered. The next in order of business is the report of the Secretary and Treasurer of the Association. I will call upon Mr. Meade for his report.

SECRETARY AND TREASURER'S REPORT.

The Secretary—The following is my report as Secretary and Treasurer for the year ending January 13, 1904 :

ACTIVE MEMBERS.

Active members February 18, 1903	216	
Elected during the year	18	
	<hr/>	234
Resigned	6	
Died	4	
Transferred to Honorary membership	2	12
	<hr/>	<hr/>
Total active members January 13, 1904		<u>222</u>

HONORARY MEMBERS.

Honorary members February 18, 1903	25	
Elected during the year	2	
Transferred from active membership	2	
	<hr/>	29
Died		1
		<hr/>
Total honorary members January 13, 1904		<u>28</u>

Total active members January 13, 1904	222
Total honorary members January 13, 1904	28
Total membership January 13, 1904	<u>250</u>

FINANCIAL STATEMENT.

RECEIPTS.

Balance in Banks, February 18, 1903		\$1,214 00
Received Annual dues	\$970 00	
“ “ Proceedings	24 60	
“ Initiation fees	40 00	
“ Library literature	2 10	
“ Keys	75	
“ Badges	2 00	
“ Knapsacks	2 00	
“ Interest	25 79	1,067 24
		<u>\$2,281 24</u>

DISBURSEMENTS.

Paid Stenographic report	\$ 69 80	
“ Rent of chairs	1 50	
“ Security bond for Secretary	17 00	
“ Rent	324 00	
“ Deficit annual dinner	91 60	
“ Menus, invitations and cards	63 75	
“ Printing and stationery	39 65	
“ Postage, telephone and delivery	56 70	
“ Floral pieces	50 00	
“ Engrossing memorials	10 00	
“ Taxes	4 50	
“ Insurance	4 50	
“ Annual Proceedings	319 00	
“ Subrogation pamphlets	19 00	
“ Index 1876-1903	84 90	
“ Library card cases, cards and letters	43 25	
“ Cataloguing library	80 00	
“ Subscription to insurance journals	14 50	
“ Step-ladder	1 50	
“ Key returned	25	
“ Secretary's Salary	150 00	1,445 40
Cash on hand:		<u>\$ 835 84</u>
In Bank of California	70 71	
In San Francisco Savings Union	765 13	
	<u>\$835 84</u>	<u>\$ 835 84</u>

Audited and found correct—

HERBERT FOLGER,
LOUIS WEINMANN.

ANNUAL PROCEEDINGS ON HAND.

42	copies of	1877-78 and one bound volume 1877-82
4	"	1879-80
35	"	1881
10	"	1882
0	"	1883-1887
47	"	1888
0	"	1889-1891
35	"	1892
101	"	1893
19	"	1894
60	"	1895
142	"	1896
102	"	1897
155	"	1898
166	"	1899
12	"	1900
60	"	1901
106	"	1902 and one bound volume 1901-02
190	"	1903

Five Fire Badges on hand.

PRICES FIXED BY EXECUTIVE COMMITTEE FOR PUBLICATIONS.

Annual Proceedings—10 or less on hand,	\$1.00 each and postage 10 cents				
"	"	Between 10 and 50	.75	"	"
"	"	Over 50	.50	"	"
Knapsack	1.00	"	"	"	15
Book Losses . . . . .	.25	"			
Other publications . . . . .	.10	"			
Fire Underwriters Badge	2.00	"			

LIST OF PUBLICATIONS OWNED BY ASSOCIATION.

A Celebrated Case	H. M. Grant . . .	72
Book Losses	Lowden & Sexton .	398
Constitution and By-Laws	Association	10
Hops as a Fire Hazard	E. L. Thompson .	72

Large Fires in American Cities	Herbert Folger	2
Proper Vice	B. Faymonville	54
Statistics of Fire Underwriting on Pacific Coast	W. H. Lowden	229
Growth of Tariff Associations	Herbert Folger	1
Waiver and Estoppel	Peter Winne	66
Subrogation	S. G. Williams	240
Knapsacks	Association	310

The President—I think perhaps we may as well listen to Mr. Meade's report as Librarian of the Association at this time.

LIBRARIAN'S REPORT.

The time had arrived when a catalogue of our library was demanded. Accordingly we commenced the work during the year past by first arranging the books in the cases under their proper subjects and classes and giving to each its proper number on the shelf. This done, it was thought best to begin the catalogue by simply giving the author and the running title of the work. We had not proceeded far, however, before we became aware of the fact that to make the library of use as a working library we must, as far as possible, make a catalogue by subjects as well. This work was undertaken and is still progressing. So far we have used over six thousand cards, all of which are arranged in specially prepared cases, and are in alphabetic order. Complete catalogue has been made of the contents of many of the most important works such as the Transactions of the Fire Underwriters' Association of the Northwest, The Insurance Engineering, The Survey, The National Fire Protection Association, The Boston Mutual Publications and others. Among the foreign publications we have catalogued the contents of all the leading transactions, such for instance as the Birmingham Institute as far as we have it. Federation of Insurance Institutes of Great Britain and Ireland, Insurance Institutes of Victoria, Insurance Institute of Yorkshire, Norwich Insurance Institute, Insurance Association of Manchester, Insurance Institute of Manchester, Insurance Institute of New South Wales.

We have classified the catalogue as well, giving for example, under the head of Fire Insurance or of Fire Tests or of Hazards, Building Construction, Fire Retarding, etc., all that pertains to the subject and each card under the subject arranged in alphabetic order. This of course has necessitated the making of several cards under one subject or author, for the works of each author will be found together. During the

year an index, up to date, of the proceedings of this Association has been published and also card catalogued so that now and hereafter as the Proceedings are published the contents will at once fall into their place in the Card Catalogue and be ready at a moment's notice for publication. We have also partially completed a Card Catalogue of the last 12 vols. of the Law Journal. This work is now going on and will take some 10 or 12 thousand cards. When completed it will be found far more convenient for reference than the Digest.

We have arranged in alphabetic order the various reports of different cities and States. Have gathered together various valuable Essays, Papers, Rate Books and pamphlets and given them a place in pamphlet boxes and catalogued them as well.

We have gathered together some hundreds of duplicates and are preparing a full list of such as we have, which list we anticipate will be printed so that the same may be forwarded to the different Associations, Societies and Institutes with which we are in correspondence, for exchange for works not now on our shelves.

And here let me urge upon every member of this Association to donate to this library any and every book bearing in any way on the subject of insurance which can be spared. It makes no difference whether they are new or old, whether in the library or not they are *all* useful helps and as shown can be exchanged with our correspondent's or may help to build up some other library organization.

To complete the work of cataloguing the library will require the time of one man for the greater part if not all of the coming year. This work should by all means go on now that it has been begun. I place on the desk for the examination of the members a partial list of what we have catalogued on one subject that has an importance you all appreciate, viz: Fire Hazards. It is selected as one out of many important subjects. I might have given you a similar list of Fire Tests, of Fire Retardants, or of Building Construction. This will serve only as an example:

FIRE HAZARDS.

Ammonia Works
Armature Repairing
Asphalt Works
Baby Carriage Works
Bagging Factories
Bakeries
Bamboo Mfr.

Basket, Butter and Dish Works
Beet Sugar Factories
Binding Apparatus
Billiard Table Works
Blacksmithing in Cable Power
House
Bleaching Works

Block and Tackle Works	Cotton as Baled by different Methods
Blower Systems	Cotton Spinning—Two articles on
Boat Builders	Conflagration—Two articles on
Boiler—Four articles on	Crutch Works
Boot and Shoe Factories — Two articles on	Creameries
Box Factories	Curious Hazards — Explosion of Molasses, Salt, Roof Paint.
Breweries and Distilleries	Department Stores — Two articles
Brush Factories—Two articles on	Dip Tank
Bucket Factories	Distilleries
Building Construction	Dust Explosion
Busy Mills	Electric
Cabinet Shops	Electrical—Nine articles on
Cane and Umbrella Factories	Electrical Lamps
Canneries	Electricity as a fire hazard
Carbon Bisulphide	Electric Lighting—Twelve works and articles on
Car Shops—Two articles on	Electric Wiring—Two articles on
Car Storage and Handling in Power Houses	Elevator Head
Carriage and Sleigh Factories	Elevator Screenings
Carpenter Shops	Elevator Works
Celluloid	Embossers
Cement Mill—Two articles on	Emery Machines
Charcoal	Excelsior Works
Chemical Products	Factory—Ten articles on
Christmas Displays — Two articles	Fan Bearings
Cigar Box Factories	Farming Implement Works
Cleaning and Renovating	Felt Hat Works—Two articles on
Cloth Oils	Fertilizer Works
Clothing Factories	Fertilizing Plants
Coal Crushers	Fir Tree Balsam Needles
Coal Elevators	Flour Mills—Four articles on
Coal Pulverized—The burning of	Flow Boxes—In Corn Oil Works
Coal Substitutes	Formaldehyde
Coffin and Casket Factories	Furniture Factories
Collieries	Garbage Disposal Works
Compo. Board Works	Gasoline
Cooper Shops	Gas Leakage
Cotton	Gas Works—Two articles on
Cotton Mills	

- | | |
|-----------------------------------|-----------------------------------|
| Glass Works | Oil Room in Power House |
| Glucose Factories—Two articles on | Oil Lamps |
| Hat Block Shops | Oil Storage |
| Hat Factories | Oily Waste—Two articles on |
| Hay—Spontaneous Combustion of | Organ Factories |
| Heating Apparatus — Two articles | Organic Substances finely divided |
| Hops | Overalls in Power House |
| Hot Bearings | Packing Houses |
| Hub, Spoke and Felloe Works | Packing and Slaughter Houses |
| Illuminants | Pail and Tub Factories |
| Improvement of Hazard — Two | Painting |
| articles on | Paper (cheap) |
| Interior Wood Workers | Paper Mills—Dust in. |
| Lampblack | Passenger Cars |
| Lighting by Oil or Gas | Patent Leather Works—Two art. |
| Lights | Pattern Shops |
| Lighting Wood Workers | Percolators |
| Lime Kilns | Photometry |
| Linseed Oil Mills | Piano Factories |
| Louisiana Purchase Exposition of | Picture Frame Works |
| 1904 | Picric Acid in Gasoline |
| Lumber Yards | Planing Mills |
| Machine Shops | Plate Glass and Window Works |
| Machinery—Four articles on | Plate Glass Factories |
| Mantel Factories | Potassium Chlorate |
| Mat Factories | Press Cloths in Oil Mills |
| Match Factories | Presses in Oil Mills |
| Meal Driers | Pulley Factories |
| Metallic Reduction Plants | Pump Works |
| Mills—Two articles on | Railway Coach Works |
| Mining Industry | Rattan and Willow Factories |
| Modern Explosives | Refrigerator Works |
| Moral in Mill Insurance | Repair Shops—Two articles |
| Moral in Underwriting | Rice Mills—Two articles |
| Moulding Works | Rollers in Oil Mills |
| Musical Instrument Works | Rolling Chair Works |
| Naphtha | Roof Paint Works |
| Naphtha Storage | Rotaries in Paper Mills |
| Oatmeal Mills | Rubbing and Finishing |
| Oilcloth | Sash, Door and Blind Factories |

Saw Mills—Two articles	Tank Furnaces—Two articles on
School Furniture Factories	Tanning and Currying
Sewing Machine Case Works	Telephone System
Seed Oil and Cake Mills	Textile Mills—Three articles
Shavings and Refuse	Theaters—(Manchester)
Shaving Vaults	Tobacco Factories and Warehouses
Ship Building	Toy Factories
Shovel and Handle and Implement Works	Trackmen in Power Houses
Show Case Works	Transformer Substations
Sign Works	Trunk Factories
Silks and Dyed Cloths	Varnish and Varnish Dry-rooms
Smoke Houses	Ventilator Shafts
Smoke—Ignition of	Veneer Works
Soda Ash—Manufacture of	Wagon Factories
Sodium Peroxide	Wheel Factories
Spice Mills	Whip Factories
Stables	Wood Alcohol Plants
Starch and Sugar Factories	Wood Turners
Steam Pipes	Wood Working—Seventeen articles
Steam Tables or Warming Coils	Wooden Pulley
Steamers in Oil Mill	Wooden Tank Factories
Stock Conveying by Blower System	Wooden Ventilator Shafts
Storage Warehouses	Wooden Ware Factories
Sugar Refineries	Wood Workers—Three articles
Street Railway Property	Wood Working Mills—Dust
	Woolen Mills

In addition to the above it should be stated that there are quite a number of books and pamphlets bearing on the subject of hazards which have not as yet been entered under the title of the hazard.

BINDING.

During the year owing to lack of the necessary funds we have been unable to do more than bind 22 volumes.

There are a number of volumes of unbound pamphlets and works that stand on our shelves. They disfigure the library and are a great inconvenience. A fund for binding should by all means be provided.

MAGAZINES AND CURRENT LITERATURE OF INSURANCE.

The magazines and current literature on insurance are placed on file for use as soon as catalogued, which is usually done within a day or two

after their arrival. These are accumulating as unbound matter.

DONATIONS TO LIBRARY.

I herewith submit a list of donations to the library during the year. This list covers only the names of the members of the Association. Many valuable contributions have been received from our friends and correspondents abroad and in the East.

For these the thanks of the Association have been tendered in due form.

I have endeavored to give you an idea of the work that has gone on in our library, of its present condition ; of its portend of the future and I trust you will respond, showing your interest, by your presence and study in and of the library.

DONATIONS TO THE LIBRARY IN 1903 :

Carey, J. A.—

New York Insurance Reports—10 vols.,

Dornin, Geo. W.—

Law Journal (bound), 1902,

Year Book, 1902,

Folger, Clinton—

Australian Insurance and Banking Record—part of 1899 ; all of 1900-01-02 ; part of 1903,

Report Insurance Com., Oregon, 1900,

Directory Fire Insurance Companies, Oregon, 1902,

Report City Government, Indianapolis, 1892,

“ Water Commissioners, Taunton, 1891,

“ “ “ Saginaw, 1892,

“ Metropolitan Water Board, Boston, 1900,

“ Sewage and Water Supply, St. Johns, N. B., 1892,

“ Water Board, Boston, 1886,

“ Department Public Safety, Pittsburgh, 1893,

“ Auditor Public Accounts, Mississippi, 1890-91,

“ State Marshall, Massachusetts, 1897-98,

“ Fire Department, Duluth, 1894,

“ “ “ Houston, 1895,

“ Protective Department, Worcester, 1890,

Proceedings National Insurance Convention, 1871-72,

Report Fire Department, Baltimore, 1893,

“ Trials Gaskill Pumping Engine, 1891,

Kinne, Col. C. Mason—

French's Digest, 1888-1901, 14 vols.,

Laton, Chas. A.—

Fire Protection and Prevention, 1 vol.,

History San Francisco Fire Department, 1 vol.,

Ducat's Practice of Fire Underwriting, 1866, 1 vol.,

Instructions Ætna Insurance Co., 1857, 1 vol.,

" Hartford Fire Insurance Co., 1859, 1 vol.,

Handbook of Adjustments, 1 vol.,

Federated Inst. Great Britain and Ireland, 2 vols.,

Weinmann, L. and L., E. Ensign—

Monthly Journal Insurance Economics, vols., 1-9.

The President—You have heard the report of the Secretary and Treasurer, and also that of the Librarian. What is your pleasure, gentlemen?

Mr. G. F. Grant—I move that the reports be received and placed on file.

The motion was duly seconded and unanimously prevailed.

The President—Next in order is the report of the Executive Committee. I will call upon Chairman W. H. Gibbons to read the report of that Committee.

EXECUTIVE COMMITTEE'S REPORT.

San Francisco, Cal., January 13, 1904.

GENTLEMEN:—

It has been impracticable for the members of your Executive Committee to meet for the formal consideration of matters to be brought before you, and we shall, therefore, merely submit suggestions which may be taken up by the Association at some convenient hour before the close of the annual session.

It was intimated by the Executive Committee a year ago that it required another year to determine the financial outcome of the new departure inaugurated by renting rooms for the proper handling of the library. The accounts of the Treasurer, which have been audited, appear to show the following expenditures summarized under a few headings:

Annual Meeting, Publication of Proceedings, etc . . .	\$ 569 90
Rent of rooms net	324 00
Salary of Secretary	150 00

Memorials to deceased members, floral pieces, etc . . .	60 00
Stationery, etc	143 25
Third edition index to Annual Proceedings	86 40
Additions to the Library, card index system, etc . . .	111 85
<hr/>	
Total	\$1,445 40

As against this the income has been \$1,067.24. The deficit for the year has been considerable, but, in the opinion of your Committee, the money has been well spent. We repeat the suggestion made a year ago that it would seem to be better to devise means for increasing our income than to abandon the course now being pursued.

The interests of the library will be presented in a paper prepared by Mr. J. P. Moore, who is most competent to discuss the subject, and to whose labors, which have been most inadequately remunerated, we are indebted for the present excellent condition of our library.

There has not been any marked increase in the membership of our Association for several years. There would seem to be no impropriety in drawing the attention of the companies to the fact that a number of special agents who have entered the service within recent years are not members, and should be encouraged to associate themselves with us.

We repeat the suggestion, which was not considered favorably in 1903, that associate memberships might be created for the younger men in the business who are not eligible for full membership under our constitution. The suggestion that the library should be open to office men indiscriminately is unsatisfactory, and we believe that an associate membership with an annual fee of, say \$2.50, in return for the privileges of attendance at the annual meetings and the use of the library, but not including attendance at the banquet, would be feasible and of benefit to all concerned.

The size of the banquet has made it a somewhat formal affair as compared with earlier years. It may be that some restriction upon the attendance would be proper, limiting it to actual members and to a few invited guests. Your Committee is not prepared to make a recommendation at the present time.

In view of the excellent results which have attended the organization of the Federation of Insurance Institutes in Great Britain and Ireland, it has occurred to us that closer relations might be established among the Fire Insurance Associations in the United States. If your Executive Committee could be authorized to extend an invitation to other Associa-

tions to form such federation, we believe that the outcome would be profitable.

The present membership of your Executive Committee is limited to three past Presidents, one being the retiring President. In the event of absence from the city of one or two members, the Committee is placed at a disadvantage, and we suggest that you consider the propriety of increasing the membership to five, of whom the retiring and incoming Presidents might be two. In the event of such increase it might be practicable to elect the other members for three-year periods, and have them retire in rotation.

Respectfully submitted,

W. H. GIBBONS,
HERBERT FOLGER,
LOUIS WEINMANN.

The President—Gentlemen, you have heard the report of your Executive Committee. As there are a number of recommendations contained in the report, it suggests itself to the Chair that they can be better considered by referring the report to a Committee to report upon such recommendations later. I ask your pleasure in that connection.

Mr. Herbert Folger—I move that the report of the Executive Committee be so referred to a Committee to be appointed by the Chair.

The motion was duly seconded and passed.

The President—I will announce the Committee at the beginning of the afternoon session. We will now listen to the report of your Library Committee. I will call upon its Chairman, Mr. Arthur Brown, for that Committee's report.

REPORT OF LIBRARY COMMITTEE.

San Francisco, January 12, 1904.

GENTLEMEN:—

As you are all doubtless well aware, the year 1903, now fortunately gone into history, was, to use the language of President Roosevelt, decidedly "Strenuous," and those of us who had managerial positions and those who were fortunate enough to be independent adjusters had their hands full at all times. This must be the excuse of your Committee for not having given more attention to the library and its needs.

While the Committee has to offer excuses, this Association has been most fortunate in having as its Secretary and Librarian a member who has given to his position much time and thought, resulting in marked improvements in the library and its systematizing. These are shown in detail in the Librarian's report, but your Committee desires to call particular attention to the card system of cataloguing which has been adopted (embracing not only the running titles of various volumes, but a complete and detailed indexing of their contents), and to the unfinished card index of the law library and to urge upon this Association the advisability of having this latter index completed. The first twenty volumes have been summarized in the index gotten out by the publishers, but as this index was gotten up for the benefit of attorneys and is rather confusing to the average layman, it would seem advisable to re-index these and to complete the indexing under the system adopted by our Librarian.

Your Committee also desire to urge upon this Association the necessity of removing, as early in the future as possible, the library to rooms which will be contiguous to those occupied by the Board of Fire Underwriters of the Pacific; not by any means, however, to the present "Rookery" where that Honorable Body is now situated. The reasons for this move are many, but there are two which can hardly be criticised. In the first place, the present location of the Library is rather out of the way. Most of us have a habit of going often to the "Board" for various reasons and if the Library were close at hand would often drop in for a few minutes to take advantage of its valuable information and to refresh ourselves on a given point. Again, nearly all "Loss Meetings" are held in the Assembly Room of the Board of Fire Underwriters, and the Library should be contiguous to that room. At the present time many knotty questions as to previous disposition of given cases and questions on legal points are either given up temporarily (and sometimes, we regret to say, entirely) for lack of immediate information or are referred to attorneys at additional and perhaps unnecessary expense, all of which could be avoided if the Library were close at hand.

The Association is indebted to a number of friends for valuable contributions to the Library, details of which will be set forth in the "Proceedings."

Respectfully submitted,

ARTHUR M. BROWN, Chairman.

The President—If it meets with your pleasure, gentlemen, I think perhaps it might be well to refer this report to the same Committee to

which the report of the Executive Committee will be referred, as the recommendations which this Committee makes is in line with one made by your Executive Committee. If there is no objection it will be so referred. Hearing none, that will be the order. The next number upon our programme is the President's Address.

THE PRESIDENT'S ADDRESS.

WHITNEY PALACHE.

It is my pleasant duty to welcome you officially to this, the twenty-eighth annual meeting of the Fire Underwriters' Association of the Pacific.

The year just passed has been one of great material prosperity on our Coast, and the insurance interests have shared with that prosperity in the form of a largely increased premium income. The fire waste has been heavier during the past year than we have been trained to expect, but, judging from the information at hand, which is yet quite incomplete, the year will not prove at all a disastrous one to insurance interests.

I shall omit any review of the insurance statistics, first, because the date of this meeting is too early for the facts to be assembled, and, for the second and better reason, that any brief presentation of the chief events possible in such an address as this will be unsatisfactory and unserviceable. The value and interest of these statistics depend so largely on the point of view and their application that one man's analysis is rarely of any direct value to another.

This year, for the first time, change in date for the meeting has been made, as a result of the vote which was taken in accordance with the motion which prevailed at the last meeting, which provided that unless a two-thirds vote of the members voting expressed themselves in favor of the change in date, the annual meeting in 1904 should be held at the usual time. More than two-thirds, however, of the members voting favored the change, and the date is set at this time for 1904, but no permanent change has been made, and, unless further action is taken by the Association, the date of the meeting will revert to the third week in February.

The functions of this organization are two-fold—social and educational. Almost the only expression of the first function is the annual banquet. Effort has been made in the past to arrange for periodical meetings during the year which shall be primarily social meetings, and

combine also the discussion of matters of interest to the fraternity. The practical difficulties, however, have proven insurmountable, and the Association has now become very well accustomed to concentrating all their official activities in the annual meeting. This has some advantages, and I think the officers can hardly be expected to give the time necessary for the preparing of discussions and meetings at frequent intervals during the year. A compromise, however, might very wisely be effected by having lectures from professional or expert men outside of the business, or connected only with the technical branch of the business. These lectures could often be secured without additional expense, but it would seem to me wise to authorize the Executive Committee to incur reasonable expense when such expenditure would result in giving to the Association a paper of real value. Such lectures should be reported and become a permanent part of our records, and when desirable could be repeated at the annual meeting. If these special meetings were held in the evening it would be comparatively easy to make the social feature of the meeting more prominent than would be possible in an afternoon session.

It is the second function of the Association to which I wish particularly to address myself, viz., that of education.

Education is our chief purpose, and there is no business in which the advantages of education are of more direct utility. In the banking business, for instance, a clerk has no opportunity whatever of securing that knowledge and acquaintance with the essentials of the business which go to equip him directly for the higher positions. He can get technical and scientific information to a limited extent from books, but the technical knowledge in banking is proportionately of much less importance than in insurance.

An alert, intelligent, industrious clerk in an insurance office has abundant opportunity to gain wide knowledge of the progressive steps in the business, and to the special agent the door is wide open for him to equip himself in many essentials for the highest positions. The rarest and best of all equipment is executive ability, which alone receives the highest awards, but it is easy to err in thinking that this faculty stands by itself uninfluenced by technical and educational training. Those so-called hard-headed practical business men who scorn anything more than grammar school education as superfluous, and have ill-concealed contempt for scientific theories and abstractions, show themselves ignorant of the increasing debt to science which is owed by all the daily utilities.

We in our offices have our hours so largely filled with the merest routine and the attacking of purely practical business problems that we are apt to be unmindful of the important place that scientific and technical aids have in the solution of innumerable problems in the elementary things of our business. We, as an association, must be keen to recognize the value of scientific treatment of our problems and to stimulate the eager seeking for education of the right sort. Let me emphasize the fact that education is used here not in the sense of the acquisition of a vast amount of knowledge in general, but refers to the mental equipment as to methods of work and knowledge of sources of information. A college education is of comparatively small value for the actual store of knowledge with which it fills the young mind, but it is of inestimable value in giving him an insight into the use of resources which are at his command.

Professor Adolph C. Miller, of the University of California, recently addressed the Nevada State University on the "New Industrial Order and the Universities." The paper is one of intense interest as a keen exposition of the true relation between practical business and higher education. Not being able to incorporate it in the Proceedings, I take the liberty of quoting at some length from it as follows:

"There is good reason for doubting the practical value of the ordinary college course. The four years' study of Greek, Latin, mathematics and philosophy do not seem a consummate preparation for the work of market-place, manager's office or director's room. Those studies do much, no doubt, to cultivate the analytical and reflective faculties, and so far, the time given to them is not all lost, but they cannot do as much by a tithe to ripen the habits of observation and of attention to details, the sense of relative importance, or to train the judgment to accuracy, as four years in the formative period of youth given to incessant contact with the fierce and uncompromising realities of business life. The problem which at the present stage of public opinion it seems profitable to discuss is not whether college education of the traditional kind may be of value as a preparation for business, but whether it is possible to arrange a course of university training that shall prove an asset of distinct and certain value—a course that shall bear much the same relation to business as existing courses in law, medicine or engineering do to their several professions. It cannot be too often repeated to the young men of today that the modern world demands the highest type of efficiency of its leaders and workers in every department of activity as the indispensable condition of success. This is not only as

true in business as in any other field, it is even truer. In the modern sense, efficiency means not simply power—power in general—but power to do something—something in particular—and do it as well as it can be done. In this sense the man of excellence is still the moving force in the world, and the young man who has possessed himself of the capacities that make for excellence and leadership; the man who has learned how to make expert application of his developed force and ability in the service of society need never fear that he will be long without an opportunity. The best asset—far better than a liberal bank account—that the young man who believes in himself and in his times can take with him into the world is a well-trained capacity. It will pay bigger interest than the so-called 'safe investment,' and steadier dividends than the so-called 'big thing.' It is the real preferred stock of modern industry—the one security whose value cannot be destroyed by bankruptcy, foreclosures, re-organization or consolidation."

Let me not be understood as advancing the theory that all insurance men, to be successful, must be college graduates, or even that college men have a heavy advantage. My intention is only to emphasize that the higher education can be and is of direct value in practical pursuits, and other things being equal, the man with the advantages of technical education has a heavy handicap over him who is not so equipped. No education equipment, however, can compare in value with innate readiness, sound judgment, powers of initiative and general executive ability, all of which qualities are greatly improved but not created by education. We do not desire to make a college or a school of this Association, nor could we if we would, but we should see to it that in so far as is possible our influence be exerted toward high ideals and to a full recognition of the real problems in our business. Our efforts should be to encourage emancipation from doing our business merely by precedent and to develop a faculty of abstract reasoning on the problems presented to us. It may very well be that at times a logical conclusion would carry one in the opposite direction from business interests. Therein comes the executive faculty to decide where policy and expediency should take precedence of technical dictates, but a man will follow much more nearly the long-sighted and broadminded policy if he has the ability to define the issues in the abstract and to divorce his thoughts from selfish interests.

Many men deplore the fact that the underwriter, so-called, seems to have less and less directly to do with establishing the price for which he shall sell his commodity, feeling that in the absence of exact knowl-

edge as to the cost of the commodity which we sell, general business experience is of far greater value than the technical theories of the man who devotes himself exclusively to rate-making problems, entirely removed from the point of view of the premium-getter and the loss-payer, but granting as we must that we never can establish with any exactitude the cost of the commodity we sell, is it not evident that the more effectually we divorce the rate-making from the premium-getting service the safer we will be? The matter of an adequate rate is after all one of theory, and the history and wisdom of our own Board here is an admirable example of how many technical aids we can secure, when, by co-operation the equipment is provided. Here, as in the insurance company, the all important thing is the executive head, for he must have the equipment that fits him not only for the selection of the men and best means for furthering his work, but also the capacity of discerning the different interests involved and reconciling them. This does not mean that managers and special agents should ignore the science of rating or fail to equip themselves with an intelligent understanding of what constitutes the hazard and what is a fair charge for same. You will listen to a very carefully prepared paper on this subject. The only point I wish to make here is that rate-making is really a science and that all rates must have their basis in theory, subject always to the discriminating analysis and practical differentiation by the man of affairs who brings to his aid the results of experience and business sagacity.

Our chief opportunity, educationally, is centered in our library. This opportunity seems to have been almost entirely ignored. Few of us have any knowledge of its value, and it is only during the past year that a practical effort has been made to make its resources available. A library without an index is of very little practical value. Wonderful progress has been made during the past year putting its contents within the reach of the members by a most admirable system of indexing. Our Secretary, Mr. Calvert Meade, under the instruction and with the assistance of Mr. J. P. Moore, has made great progress in the work, and Mr. Moore will later tell you of what has been accomplished and of our greatest needs. I recommend his report and that of the Executive Committee to your careful consideration, and that the work be continued and that proper provision be made for the expenses incidental to it. You must remember that it is an accumulated work, and that while warmest thanks are due to our past workers in what they have accomplished, the work of preparing a modern index is a new undertaking and is possible only by the expenditure of an immense amount of time. The money

rewards to Mr. Moore for his work have been entirely inadequate and really paltry. His enthusiasm, however, has led him to assist Mr. Meade in the spirit of real interest in the work without thought of the emolument. Both he and Mr. Meade deserve your grateful thanks.

I am far from forgetting that in the minds of many a very important function of this organization, which is certainly educational in its scope, is to have the young men appear before it, present their ideas and theories and join in discussions. This unquestionably is of great value and should be encouraged to the utmost, bearing in mind only the fact that the paper, whether from a young special agent or a recognized expert must stand the test of being a real contribution to our store. One way in which wider participation may be secured in the proceedings is to publish the program considerably in advance of the date of the meeting, and in addition to a general request that the members prepare themselves to discuss those subjects which lend themselves to debate, special ones be advised that they would be directly called upon. Where it is possible the papers should be given in advance to those on whom direct call will be made; but, even in the absence of the paper itself, the announcement of the subjects will be suggestive and enable members to prepare themselves for a participation in the discussions. I believe that the Presidents may very wisely pursue this method more effectually than has been done in the past, with a special view to enlisting the participation of the younger men. An attempt has been made at the present meeting in this direction, but I have not carried it as far as I could wish. The attempt, however, has revealed to me the possibilities, and I recommend the plan to the careful consideration of future Presidents.

It may seem to many a radical departure in these Proceedings to have so large a portion of the program reserved for men outside of our business, but it is, after all, from them that we can learn the most. Mr. Whitney, of the Mathematics Department of the University of California, will, I feel sure, surprise you in showing the recognition that is now being given to Fire Insurance in science by the large educational institutions. The tendency to provide courses of instruction, such as he will describe to you, shows that our horizon is expanding, and it is both our duty and privilege to enlarge our outlook to survey the wider field.

Professor Carl C. Plehn is known internationally as an economist and statistician and more familiarly to our members through his report to the Board of Fire Underwriters of the Pacific on the statistical record of five years. This report shows clearly how pure theory can be of direct advantage to practical underwriting.

In Professor Cory you have the practical engineer combined with the scientific student, and there has been wonderful development in electricity since the masterly paper presented some years ago by Mr. Low. I feel sure that Mr. Cory's address will not only be of keen interest to his hearers, but will be of permanent value for future reference.

The sad duty devolves upon me of reminding you of those who will never again answer the roll-call of the Association. The loss to the Association as a whole is great, but greater far to many of us as a personal loss in the vacancies caused by the dread reaper. A. R. Gunnison, W. P. Thomas, H. K. Belden, J. H. Dibbern and L. M. Seaton have passed away since our last annual meeting. The formal tributes of respect to these men, which will appear in our Annual Proceedings, are genuine and sincere testimonials to their character, and express truly the sense of loss which is felt by each and every one.

There is an old and true saying that "he who excuses himself, accuses himself." I shall, therefore, make no apologies, but I do most sincerely express to the Association my regret that sad and unexpected events during the past year, bringing new responsibilities and unforeseen demands upon my time, have prevented me from devoting as much time and attention to these official duties as I had hoped to give.

I thank you for the honor you have conferred upon me.

Mr. Herbert Folger—Mr. President, I move that the address of the President and the recommendations therein contained be referred to the special Committee that has already been provided for to consider the recommendations in the report of the Executive Committee and the Library Committee, and, as one of the recommendations of the President's Address, refers to the date of our Annual Meeting, I ask that the report of the Committee hereafter to be appointed upon this subject be made a special order after No. 12 on the programme, so that the time for the discussion of that date may be well known to each of those present.

The motion was duly seconded and passed unanimously.

The President—Not knowing in advance what the President's Address is to contain, there could be very little opportunity for discussion. I would, however, like to know whether there is some one present who would take issue with some of the thoughts expressed therein with refer-

ence to the **importance** of technical education. Some of you may have different views. It is a thing that we **have all**, I am sure, thought about. Mr. Sexton, have you any ideas to advance upon that subject?

Mr. Sexton—I cannot say that I have any ideas against technical education or any other education, Mr. President. We have so many new questions in fire insurance that are discovered after the fire, that I believe in technical education, and cannot take any exception to the President's statement on that point. I would like to argue against this, as you boys all know, but I cannot. (Laughter.)

The President—As time is passing, we may proceed to the next number upon our programme, which is a paper upon the subject of "Our Library," by Mr. J. P. Moore. I will call upon Mr. Moore.

OUR LIBRARY.

J. P. MOORE.

Gentlemen—I have been asked by the President of this Association to speak to you on "Our Library." I am not a member of your organization, nor am I engaged in the business of insurance. "Our Library," means to me, therefore, *your* library. What I have to say of your library must be taken as the words of an "outsider," who comes in to look over, to examine, and, as opportunity offers, to read many of the works and familiarize himself with their contents.

I have studied your library and can see its possibilities for usefulness.

The founders of your Association were wise and far-seeing men. They remind me of the character of those old Pilgrim Fathers, who, on landing on the shores of this new world, at once proceeded to establish an educational institution, build a college, and start a library. Hand in hand with the college, they placed the library. They knew, as we know, that books are the educators of men.

I am addressing today a body of educated and cultured gentlemen, many of whom, no doubt, are descendants of that old Puritan stock. I need not, therefore, speak to you on the educational value of a library. You know, and admit its value.

But an insurance library, in its entirety, is very different from a general library. The latter is for general culture, the former is a special library for a specific purpose. What, therefore, is the purpose, what the scope of an insurance library?

Yours is a special work. I do not mean as special agents, but as insurance men. By this I do not mean to belittle the great work of insurance. Its business is world-wide. It touches every industry of man. Its laws are as broad and comprehensive as the field it embraces.

In order that we may be able to understand how far your library fulfills the aims of its founders, let us look at the scope of an insurance library.

Let us begin at the office work. The library should be able to furnish all that is needed for the theory of such work, no matter how insignificant the detail may be. The various departments of your office should be enabled here to find that which will be of material aid for doing the right thing, and knowing why it is right.

The study of that instrument known as your policy, by which you stand sponsor to the great mercantile world, is, beyond dispute, of the first consequence. Its drafting and preparation, a thorough understanding of its legal forms and their force, demand a high order of intelligence. For this work the insurance library should be thoroughly equipped. Here the manager should be able to go when in doubt and find decisions of the highest courts that will relieve him of all anxiety or doubt. The student, or clerk, who wishes to be something more than a mere machine, a typewriter of other's thoughts, will betake himself to the library that he may learn why these policy forms have been chosen, and gather from his studies what the most eminent jurists have given as reasons for these forms. It has been well said of your profession that "Its law is the basis of all commercial transactions."

The library cannot be too fully equipped on your special subject of insurance law. It should have on its shelves whatever is highest and best in any language, that may bear on this great subject.

Some of you like myself can look back to the date of the "First Convention of Agency Companies," that gathered in New York on May 12, 1846. The object of that convention like that of yours today was "For the promotion of the general good of the business."

What strides have been taken since that day! Little did they dream of the enormous progress and growth of insurance business. Little can we foresee to what gigantic proportions it will grow during the coming years. Looking back 40 years in the history of this city we are astonished at the changes in your methods.

One of your number, a "Father in Israel," Mr. G. W. Dornin, some years since, just as the new era was dawning, looking over the field and foreseeing what was to come thus writes:

"We meet the enormous concentration of values in limited areas ; the developments of science, chemistry, etc., in manufactures, the universal application of electricity for lighting, heating and motors ; all these are features which were not met by our brethren of a decade ago, but which it may be expected will come to stay on our far Western coast." They have come, and come to stay.

Now the office has to meet these new and changed conditions. It must be prepared to grasp the situation, and to know what it requires. The scope of the library is, in these comparatively new fields of investigation more than anywhere else, made manifest.

For the multifarious duties devolving on the Classification Committee, for the student, the architect and builder, there should be gathered first of all, the work of the various Associations, both home and foreign. The American Exchange and Review, The Transactions of the National Board of Fire Underwriters, The Boston Manufacturers' Mutual Publications, National Fire Protection Association, and many other publications of our own country. Side by side with these should go the transactions of the foreign Institutes and Associations, such as the Birmingham Institute Transactions, Ins. Institute of Bristol, Federation of Ins. Institutes of Great Britain and Ireland, Insurance Institute of Ireland, Ins. Institute of Victoria, Ins. Institute of Yorkshire, Norwich Ins. Institute, Ins. Institute of Manchester, Ins. Institute of New South Wales, these, and numerous other transactions are the reference books of the day, and offer facilities for the acquisition of valuable knowledge.

But the work of these Institutes and Boards by no means covers the entire field for an up-to-date manager or for the student. The scope of the library must be still further enlarged.

Effort is now being concentrated on the great problem of how to diminish the fire hazard. The well appointed and successfully managed office of today demands a specialization of its work. Hence there has sprung into existence the department of "Insurance Engineering," which treats of the physical hazards and goes into the questions of building construction and fire protection in detail. Testing stations are established where the materials of construction are put to test. "Electrical Engineering" is another department, whose work is intimately associated with that of the Fire Underwriter. Electrical hazards have multiplied almost indefinitely. Chemistry is called into play for the innumerable chemical hazards. There are hazards of manufacture and of storage, as well as hazards of the mineral and vegetable kingdoms.

There are questions of "Improved Building Construction," of "Fire-retarding Construction," of "Fire-resisting Materials," and of "Risk Improvement in General," "Efficacy of Fire Brigades," and intimately associated therewith is the work of the various water boards.

To meet all these requirements, to gather together the latest and most accurate information on these important subjects is strictly the province of the insurance library, and within its scope.

And now a word as to the aim of such a collection. It can be seen at a glance that it is educational. The day has come when insurance companies, like all other great corporations or trusts, demand the best and most thoroughly equipped men in every department. Examinations must be held even for office positions, and only the competent need expect to win.

I have spoken thus at length on the plan, the scope and aim of an insurance library. The general or circulating library will not provide the books needed for the training of men of your profession. As yet the public knows little, and cares less, about your work. It is for you to educate them for their own good and need I say it, for the safety of their lives, as well as their property.

You have established here a library the largest west of the Rocky Mountains. I believe it is second only to the Boston Insurance Library. In all the lines I have pointed out it is fairly well equipped. In some of them it has no superior.

You are proud of your city, proud of your Coast. You may well be proud of the beginnings of your library. But to be of any value in your work it must be used. Thanks to the long, patient, and persistent work of your Librarian, Mr. Calvert Meade, your library is in working condition. It is for you to contribute to it, not only books and money, but time, and patient study. With these it will not and should not be long before it will be truthfully said of this Association that it has the largest, and best insurance library in America, and the most intelligent and capable corps of insurance men to be found in the world. Thanking you for your patient attention, I can not close with better words than those of my able friend, himself a master in his profession, Mr. W. H. Lowden :

"To the young man himself permit me a word. Knowledge is easily acquired in these days; it costs little more than the time spent in obtaining it. How much of your time on the road is wasted that could be profitably spent in the study of a business which requires a lifetime to master?

"Do not think that reputation for ability will come without labor, or that reward will precede merit."

The President—Mr. Moore's labors have truly been a labor of love and interest in the work. I do earnestly hope that as many as possible will visit the library, and see what work really has been done there. You cannot realize it, and cannot know what it is, until you have gone there and contrasted the condition of the shelves with what your memory will tell you the former condition of the library was, and looked at the card indexes and seen the methods and the completeness of the index system used. It was a revelation to me, and I am sure that if you once become acquainted with the facts there, you will possess yourself of these resources which are so freely at your command.

Mr. Sexton—Mr. President, I have listened to this very able paper, and I was struck with some remarks, in one particular, which would indicate that Mr. Moore had been an insurance man all his life time. The point was that people knew little and cared less about our business, about how we make rates, and all the matters pertaining to our business; I mean the people generally. But about the library. I was there yesterday, and I found, that as far as has been gone, it is one of the most complete in existence that has come under my notice. The value of our textbooks that we have upon the subject could be improved. It is being improved by this card index system. I find, in looking over the Law Journals, for instance, that it is very difficult to find the heading we want. We are always in a hurry. We need a decision on a mortgagee clause or an application, or something of that sort, and it is very difficult to find what we want in the old system of index. An insurance man does not have time to read as much as he should read. For this reason Mr. Moore's work will be very valuable, because it will save a man lots of time. He can find in five minutes what probably would take an hour to find under the old conditions, or which possibly he could not have found at all. I hope the Association will invest some money in that part of the work, because it will save money and save time and be a benefit to the insurance fraternity. Moreover, the library should be removed to this building, because, while Mr. Meade takes good care of it, and it is in a very good place, it is a little out of the way, and this hurry we are always

in prevents us from going there. Were the library near the Board rooms we could drop in often. If we had a loss meeting, some question might come up about the policy being void. If we had the library here, where our loss meetings are all held, we could tell in three minutes what we desire to know. Consequently I trust the powers that be, will continue the good work on the library that has been begun, and not hesitate to spend some money on it.

Mr. A. M. Brown—Mr. President, all that has been said and done in the past relative to having the Association do something whereby the clerks in the offices, those who, as Mr. Moore so aptly put it, do not desire to be “a mere machine—a typewriter of others’ thoughts,” can have the use of our library. I trust that this Committee, which will be appointed to look into the question, will thoroughly consider this point. It does seem necessary that the boys in the offices should have in some way or other the privilege, granted to them by this Association, of referring to the library, which is so necessary for their future career.

Mr. Herbert Folger—Mr. President, there is more in the statement made by Mr. Moore, which was that of an impartial observer—that this library is second only to that of the Boston Association—than appeared on the surface. That library, which is practically an adjunct of the New England Insurance Exchange, was started with an appropriation of \$5,000, contributed, I think, in sums of \$100 each, by many companies. It has since been aided by a bequest of \$5,000 by a leading Boston underwriter who was deeply interested in the results obtained, so that it has not less than the income of \$10,000 at all times, in addition to other contributions during the year. Those of you who know anything of this library realize that it was started by some of our older members, including Mr. Staples and Mr. Hopkins, president of local companies, with small contributions. I think there was only one as large as \$100. If the library is to go on in the future, while I joined in the report of the Executive Committee that we ought to use the funds of the Association for continuing the work now done, I cannot see, from a business point of view, how we can afford to do all the work that has been done each year.

That it should be done, there is no doubt, and it is to be hoped that the Committee appointed to consider the issues will allow liberally for the completion of this index, and make some recommendation which will bring in other funds. I believe they could be obtained if the matter were presented in a proper light to the companies. As to the usefulness of the index, it is only necessary to say that when that index is completed, one may obtain much information by telephoning. I can recall that five years ago it would take several hours to go through the library in its then condition, and get at a certain fact that was desired, while within a few weeks I was enabled to telephone to the Secretary, and obtain through the index in seven minutes all the information that was required. That is the practical side of it.

Mr. Gibbons—Mr. President, in regard to the attendance at the library, which Mr. Moore spoke of as being very light, I think that this change of location would probably remedy that in a measure. Last year, when I was anxious to get a good many facts and figures for my papers, I endeavored to get into the Association rooms, but the Secretary is a man whose duties call him away from town practically all of the time; the more he is away the better it pleases him. He cannot be expected to be there all the time, and he cannot afford to keep anyone there. I endeavored to get a key, but the Secretary's time did not seem to quite agree with mine, because when I was out, he was in, and vice versa. So I had to borrow a key belonging to some other member. If the change were made, and if a key were put in some place so that any member might get it whenever he wished it, I think the attendance at the library would increase very much. In fact I know that a great many of the members have gone to the Safe Deposit Building with the intention of visiting the library, but, finding the door locked, and being away from town a great deal, they have not taken the trouble to procure a key. So the attendance has been considerably decreased in that way. I think it would be a good plan, though, while the enthusiasm of this meeting is here, and all the California members are here, if they would visit the rooms in the Safe Deposit Building. Most of those from outside of the city have already done so.

The Secretary—Mr. President, when I began to realize the possibilities of the library it was located in this building. I could not, in fact, come here and look after it. It was moved near my office for that reason. I then saw greater possibilities in the library. The library can be made very valuable to the Board of Fire Underwriters. It should be adjoining the committee rooms, as Mr. Brown has said. There is where I think it will be, when you have a proper room for it. My object is to get it into shape, with the aid of Mr. Moore, for its greatest good; that is all.

The President—That has been felt for some time, and we are simply looking forward to the time when it will be possible. At the present time it is absolutely impossible. The Board has not room enough for its own purposes at the present time. But that need is recognized, and certainly provision will eventually be made for it. In spite of all that, in spite of the difficulties, I think that the real desire to use it, and the knowledge of what there is there to use, will enable members, if they wish, to use it. If they have not a key themselves, there are a number of members who have keys, who will gladly loan them, and it is principally the desire to get there that will make the library used. Before announcing the next Paper, allow me to remind you that the Dinner Committee request that those who have not already signified their intention in regard to the banquet to-morrow evening to do so at the earliest possible date. Responses should be sent to Mr. George W. Spencer, at the Ætna office. The next Paper upon our programme is a purely technical one, and is such a paper as is sometimes objected to because it is necessarily somewhat dry and statistical. But I consider it a Paper of real value, and I am sure it will not be lacking in interest in its reading. I introduce to you, gentlemen, Mr. Albert W. Gunnison, who will read a Paper on "Petroleum and Its Relation to Fire Underwriting."

PETROLEUM AND ITS RELATION TO FIRE UNDERWRITING.

ALBERT W. GUNNISON.

Your President's remarks upon the value to the insurance community of specialized literature struck me as particularly applicable to the topic I am to discuss. There is literature treating of Eastern petroleum from a

number of standpoints, but the insurance man would consume a long time to get from it what little it contains of direct interest to him. California petroleum has scarcely found mention in the chemistries of the day. The report of the State Minerologist is worth referring to, though mainly occupied with the geology of the industry. Practical oil men of this State have cut loose from scientific authorities, most of which are based on experience with paraffine oils only. Hence these notes.

A short three years ago southern California was in the throes of oil expansion.

Not only were the fields of production being increased, but the market was stimulated by reports of the adoption of oil fuel by railroads, mills and lesser steam plants. Efficient means of utilizing the oils were being developed. Stock in oil companies was held by people in all stations and walks of life, throughout southern California.

For a young Board surveyor to cope with such a body of excited people was a hard proposition, something like the attempt to regulate the oil traffic by State legislation. It will be remembered that the proposed laws were not only opposed, but were ridiculed as being most unnecessarily severe. So also were some of the Board rulings regarded. For instance, refiners could not see why we should watch the installation of gasoline engines so closely, when all the southern cities were having experience weekly with the gasoline stove, and no restrictions placed thereon by the Board.

After a few weeks of working in the south, I saw very clearly what I was "up against." I was, therefore, very glad to be appointed to inspect all the oil refineries in Los Angeles and vicinity. I took up the matter by degrees, asking all the questions I could. As materials for investigation were not very handy to get at, I have written this Paper more for the sake of my fellow surveyors than for the public.

Observation and inquiry at the refineries were supplemented by some reading and experimenting and finally checked up by an unprejudiced expert, G. H. Gillons, of Los Angeles, an acknowledged authority on the handling of petroleum.

I.—TECHNICAL DEFINITIONS.

Petroleum (rock-oil) comprises the crude hydrocarbons obtained from the earth and their refined fractions.

Asphaltum is the base or heaviest portion of Western petroleum, found in the still after all liquid parts have passed off as vapor. While the base of Pennsylvania oil is a different substance (paraffine), the lighter products of both are much the same in behavior, except as noted

in the discussion below. Asphaltum is also found native, as a mineral.

Inflammability is susceptibility of emitting an inflammable vapor.

Flash Test is the (experimental) test by which is determined the temperature at which sufficient vapors of a given oil are evolved to produce a flash. It is indicated by the momentary flashing of vapor rising from the liquid when approached by a flame. Those oils are especially dangerous which are unable to stand the flash test at ordinary atmospheric temperatures.

Eastern and California oil are near enough together to cause people using them to adopt the names used in the Eastern States for oils in use here. If the material obtained from the oil in California was similar to the Eastern gasoline, they called it gasoline. One of the difficulties to cope with was to find out in what respect Eastern differs from Western gasoline, and whether this difference should have an effect in insurance rating.

The fire and flash tests point out the differences.

Fire Test—the determination of the lowest temperature at which an oil will *continue* to burn at the surface when ignited.

Boiling Point—the lowest point or degree of temperature at which a liquid is observed to boil.

Gasoline Engine—a machine using the explosive power of gasoline or distillate vapor to produce motion, the gasoline or distillate being conducted to ignition chamber in *liquid* form, and there changed to vapor; while in the vapor or gas engine the liquid is vaporized or carburetted in a device separate from the ignition chamber. In either case, the exploding material is a gas.

Naphthas are supposed to include all distilled portions of petroleum that will flash at ordinary climatic temperatures.

The following is a list of the substances :

A—CRUDE.

- 1—Light gravity petroleum (20°–45° B.)—Coalinga, Oil City, Puente, etc.
- 2—Heavy gravity petroleum (10°–20° B.)—Los Angeles, Summerland, Sunset, Kern, etc.
- 3—Asphaltum, bituminous rock.

B—REFINED.

Note—A distillate resulting from “first running” or rough distillation is necessarily composed of products of some variance in gravities; figures given below are mean gravities. The gravities of Eastern oils being different from those of same name in California, the figures for both are given.

36 PETROLEUM AND ITS RELATION TO UNDERWRITING

FROM ROUGH DISTILLATION.

	Gravities, East	Beaume Calif.
4—Crude naphtha	67°	Various
5—No. 1 gas engine distillate		45°-50°
6—No. 2 gas engine distillate		35°-45°
7—Kerosene distillate	40°-49°	42°
8—Stove distillate		35°
9—Distillate for illuminating-gas works, tree spray, "slops"		26°

FROM REDISTILLATION (OR SPECIAL TREATMENT).

10— { Cymogene, rhigoline and petroleum ether	Various	over 80°
{ Illuminating gasoline (not made in California)	86°	
11—Gasoline, canadol	68°-74°	60°-64°
12—Benzine (not made in California)	63°	
13—Illuminating petroleum, "kerosene"	40°-46°	Indefinite
14—Mineral sperm (mostly made East)	38°-40°	35°-36°
15—Light lubricating oil, spindle oil	32°-34°	26°
16—Neutral oil	34°	18°-23°
17—Heavy lubricating oil, engine oil	24°	21° down
18—Reduced stock, valve oil, green oil	24°	14°-16°

Take from the foregoing list ordinary gasoline as an illustration. We have from the East the ordinary 74° gasoline. You will find the cans labeled "74°" with a cheap black and white label whereas the more carefully refined gasoline has a more ornamental label. If it comes from the East it is 74° Beaume, but if it comes from California the gasoline is only 64° Beaume. This is due to the fact that there is more carbon in the Western gasoline; it is heavier. The degrees of gravity are fixed by an arbitrary scale, the higher the figures the lighter the oils. 74° gasoline is lighter than 64° gasoline. The reason they are both called gasoline is that they act very much alike, and in the market they are used for much the same purposes. If you desire to run a gasoline engine, you can use either one of them. It is said by the California refiners that the California oil is better, because it explodes with considerably greater force. There is more carbon in it. If the carbon is completely burned the explosive force is claimed to be greater than that of a substance containing a larger proportion of hydrogen. I will discuss below the difference of gravities in substances otherwise similar from an insurance point of view.

III. NOTES ON REFINERIES AND DISTILLATION.

Crude petroleum is a mixture of numerous chemical substances whose properties differ by more or less close degrees. On account of the close gradations between these substances, they are not easily separated from one another, but their value makes the difficult process worth while. They differ enough in volatility to allow of separation by fractional distillation, but it requires care and skill. The complete process includes treatment with chemicals to decolorize and deodorize the distilled product.

The first distillation being more or less coarse, a second running is required to obtain products for certain commercial uses. Oils from various localities have varying proportions of each component, and account must be taken of this fact to obtain the best results. Heavy oils would produce mainly the base, with uncertain results as to the quantity and character of the distilled portions; while lighter oils might be profitably worked for the naphthas, neglecting the base.

Stills are generally cylinders of iron resting on brickwork, the heating chamber being below, as in a steam boiler. The upper half of the cylinder is sometimes left exposed to the air, to cause the vapor to again condense and trickle down to the hotter part, thereby "cracking it," as they say, into the lighter varieties.

A specially hazardous form of still is that in which the smoke flues are carried through tubes in the oil chamber.

The crude oil, when heated above the boiling point of its lightest constituent, gives off vapors, which are caught in worms or condensers. By raising the temperature, less and less volatile bodies are driven over, and may be "cut" or switched into different channels, thus dividing the original oil up into fractions of different gravities.

Strictly speaking, everything that thus passes over is "distillate," while what remains is "residuum" or "bottoms," no matter how early the process is stopped. Different establishments carry the process to different extents; hence the word "distillate" is a very indefinite term, when used without specific modification. The impression seems to obtain in some localities that distillate is something less dangerous than gasoline. Gasoline is itself a distillate. "Gas engine distillate" is quite as hazardous as pure gasoline, and a great deal less fixed in its conduct.

Petroleum and its products are compared with one another as to their gravities, their flashing and burning points, and their viscosities. All the liquid oils are lighter than water, their comparative gravities being ex-

pressed either as a decimal fraction of that of water, or by the Beaume scale.

Here follows a paragraph or two about the production of kerosene that I will summarize. Kerosene is the product most desired in Eastern refineries. It was by far the most valuable portion of Pennsylvania crude oil, until the recent increased demand for gasoline has shifted the balance somewhat. On this Coast there has been made an attempt to produce kerosene from our California oils. There was a material obtained along the line of kerosene, at 42° gravity, that was about as viscous as the ordinary kerosene, but when it was put in lamps made for Eastern oil, it gave a smoky flame, whence it was supposed to be useless to try to produce kerosene on this Coast. One of the refiners in the South is making experiments under that idea, and they have made special lamps to admit more air to the base of the flame. It may possibly be that later on, the heavy oil will produce as good a light as the oils from the East.

IV THE FIRE HAZARD.

The hazards common to all oils are : their easy combustibility; their explosive power when the vapor is ignited in a confined space; their light gravity, allowing them to float while burning on the surface of water intended to extinguish the fire; and the greater weight of the vapor compared with air, in virtue of which it accumulates, instead of dissipating, in basements and in other depressions. Petroleum does not ferment or oxidize with any appreciable generation of heat, as do some vegetable oils; hence it is not regarded as liable to spontaneous combustion. This is true of all its constituent parts, including the purely mineral lubricating oils, which are so often found saturating cotton waste around machinery.

From the insurance standpoint the most important thing to be noted is the fact that oils give off inflammable vapor when the temperature is sufficiently high. The lighter products give off these vapors at temperatures that are likely to be met with at any time. A lamp for illuminating oil may, under some conditions, warm up to 120° F., at which point poor oils would be dangerous. Illuminating oil gets so close to the danger line that any variation from the required test or temperature is likely to cause trouble. Lamp oils are in many communities required to stand a fire test of 110° to 120° F.; any oil with a lower test being subject to special restrictions.

Some producers designate their products by the gravity. That, perhaps, would not come to the attention of most of you, unless you were working in the south, where the producers are constantly turning out drums and cases of material labeled with the degrees of gravity. While

we laymen may be able to distinguish gasoline from benzine by the odor, for commercial purposes gravity is a handy and definite means of distinction. Now gravity may be a safe guide for determining the danger of crude oils, indicating the proportion of asphalt base, (as this has its influence upon fire test of the oil), but the designation of distilled oils by this method is unsatisfactory for insurance purposes, as two distilled oils of the same gravity may differ as to the vital matter of flashing point. A recognized authority says that California distillates give flash tests 10° to 30° F. lower than Eastern distillates of the same gravity. Thus Eastern kerosene of 43° Beaume might pass the flash test of 110° F. all right, whereas the California product of the same gravity acts very much like benzine. Again a mixture of heavy and light oils will give an average gravity test apparently satisfactory, but will not stand the flash test, and is therefore not safe for burning in lamps. "The distiller finds it to his interest to get into his illuminating oil as much of the (cheaper, lighter-gravity) naphthas as possible, afterward lowering the gravity by addition of the heavier distillates. He thereby gets a greater percentage of valuable product out of his crude oil." To meet these and similar irregularities, insurance rules and legislative restrictions should be made, with distinct reference to a determined danger point of temperature, avoiding reference to gravity or even to names. Producers should accompany all packages with guaranteed flash tests.

But how are these tendencies toward irregularity to be controlled? The protection of life and property, and the suppression of ill-smelling and unclean nuisances are not all within the jurisdiction of the insurance companies. The maintenance of large tanks of distillate for heating buildings, and the selling of flimsy gasoline stoves and other evils will, doubtless, go unsuppressed until some disaster like that to the steamer *Progreso* wakes the people to vigorous action. Not long ago some State regulation was proposed at Sacramento. Then the oil producers showed their powerful interest, while the masses of Northern California people were apathetic. It may be a long time before even conservative laws are enacted. Fortunately for San Francisco, local government controls the situation in a very respectable manner.

I do not wish to be understood as favoring the bill defeated at Sacramento, because I think it was extreme. But some reasonable safeguard might, beyond a doubt, be taken by means of State legislation. In the meantime, the insurance community is partially protected by maintaining high rates or small lines. But every time of temporary suspension of the Board, the rules and regulations have suffered setbacks, as

witness the undesirable freedom in the use of gasoline stoves and lamps everywhere, and the difficulty in controlling the quantity of distillate used in basements of some public buildings.

I think further protection might be afforded by the maintenance of a bureau for testing materials and devices and publishing the names of those approved. The companies might also look after the prosecution of those who supply their customers with the wrong materials, or with adulterations.

Rule 19 of the tariff was made at a time when the market was supplied with petroleum products mainly, if not almost entirely, from the East. The rule has in a measure grown with the growth of the industry. While the growth of the Eastern industry may have *modified* our tariff rules, the coming of the Western, the California oils, justifies, I think, a total recasting of the whole rule regarding petroleum and its products. But there is one excellent point about it that seems to have stuck to it all through, and that is the requirement that oils be made to stand the test of 110° F. regardless of what their composition is. I think that is a very excellent point. If 110° is the right danger point to make, it is well to stick to that; it is rarely that ordinary atmospheric temperatures get above 110° F., and it is when these oils give off vapors without being heated purposely that the danger comes. On some of these individual products, the bearing of the insurance rules might be looked at.

A—CRUDE PETROLEUM.

1—Light Gravity Oils.—Crude petroleum is a mixed body containing numerous separate compounds of carbon and hydrogen. It is not a single substance. Its physical properties and its fire hazard therefore include all those of its constituents, though in diminished degree on account of the dilution. For example, Coalinga and Puente oils contain gasoline, and as gasoline vapor will ignite at less than 110° F., these crude oils will evolve a vapor that will ignite at a comparatively low temperature; but the proportion of gasoline being relatively small, the hazard is a little less. I think experience will justify careful discrimination in the rules between light and heavy oils.

The Board has thus far made no difference in either tariff or special rating.

(a)—For shipping or storing in bulk, crude oils are preferably put in sheet-iron tanks with riveted joints. In case of lighter oils, stored in large tanks, they should be protected from the direct rays of the sun. Tanks for the lighter oils have special need for vent pipes to carry off

vapors and relieve pressure, and should be roofed over to keep off direct rays of the sun. Some tanks are made double with water jacket to protect against exposures and sun heat. To prevent flooding the neighborhood in case of break, they are sometimes set in pits or surrounded with masonwork. Location over sandy soil is also a very favorable feature.

There are no general rules in force respecting the storage of oil for shipment.

Under the tariff, the rate on crude petroleum (any grade), in any kind of tank, on wooden frames or foundations, is 2.00%; and in iron tanks only, on iron frames or foundations, 1.00%. Charges for frame exposures are to be added, as with frame buildings. These basis rates would seem at first sight to be very low, but we are informed that the loss ratio in California thus far has been quite small.

If barreling is done close to tank, the hazard is greatly increased. The loading of tank cars is not quite so bad, and is generally carried on at some distance from the storage tanks with little waste or drip. Where tanks are being emptied or filled, there is more or less circulation of vapor in the air, which might be ignited by passing lights or fires.

(b)—Installations of crude petroleum for fuel purposes come under the requirements of Circular No. 185, the greater part of which deals with the arrangement of storage or feed tanks.

Every effort is made to discourage the use of wooden tanks.

For feeding the oil, the use of automatic pumps has been recommended, but most pumps inspected show an unsafe amount of leakage (except where repacked every 24 hours). Such leakage is very liable to be attended with accumulation of oily waste. Yet the pumping system is better than the gravity, the latter being subject to leak when the plant is shut down. One great difficulty with plunger pumps is that they will frequently stop for a stroke or two, enough to let the flames go out, and then start up again with disastrous results. This is frequently remedied by feeding oil under cushion pressure (air or steam). Where the extent of the plant will justify the expense, it would seem that feeding the oil to burners by compressed air is the most satisfactory system, especially as it obviates the pumping of more oil than is actually required for consumption. An arrangement with displacement by water under pressure has also been found, but has the danger of water mixing with the oil and putting out flames.

Direct gravity feed to boilers and stills is the rule in oil refineries. For the stills at least, this would seem to be safer than the use of an unreliable pump.

No special rule governs storage of oil for gas making, or for heating buildings without generation of steam.

(c)—In handling at refineries, crude oil tanks are generally too large to be buried, but the use of pits or walled areas would be an advantage. Most of those in Los Angeles are on sandy ground.

2—Heavy oils.

(a)—Storage in quantity. See discussion of light oils.

(b)—Storage for use as fuel or making gas. Treatment same as light oils, although there is much less hazard connected with handling and heating of heavy oils. The latter frequently need heating to permit easy flow and atomizing, in which case the volatility and hazard are increased. Hence the rule that "if oil is heated it must be by a device outside of the storage tank."

(c)—Storage at refinery for distilling. No provisions made. If used, heavy oil is generally distilled for the large proportion of asphalt it contains. See 1 (c). As to the stoppage of the flow of heavy oils, much the same discussion may be had. There is a little less danger, however, I think. Some times it is necessary to heat up the heavy oils to make them flow through the pipes or pumps, and then the hazard approaches that of the lighter oils. If heated enough there will be generation of inflammable vapor, hazardous if not confined.

3—Asphaltum is handled in loose lumps, in sacks, or in barrels. It is found crude in the earth, and is sometimes rich enough to be used as found, although much of it requires the removal of the excess of earthly matter for commercial uses. There is a refinery for this purpose at Carpentaria. This refined product and asphaltum from crude oil stills are called "refined asphaltum," and are generally handled in barrels. Asphaltum in bulk is almost impossible to burn, but when in barrels stacked to some height, air can circulate, and an extremely hot fire results.

There are no rates or rules for asphaltum stocks. D class roofing establishments take tariff rate of 7.00%.

Roofs covered with asphalt and gravel are very successful repellants of heat from burning exposures.

B--REFINED OILS.

The individual oils may be treated under a few general groups. The gasoline rule (No. 19 of the tariff) is the only one dealing with petroleum products, treating only of that group that will not pass the flash test at 110° F.

In this connection we may note that the tests generally applied to illuminating oils are those called fire tests. Several States pass oil as low as 110° fire test. With the fire test at this point the flash test will be considerably lower. California has no legislation in force on this point. There is no uniformity observable in legislation of other States. Of the States having the greatest experience with kerosene, Illinois calls for fire test of 120°; and New York and Pennsylvania call for fire test of 110°, the last two possibly being dominated by the oil-producing interests. Ohio calls for 120° flash test.

ROUGH DISTILLATION.

As each product of the first running is more or less of a mixture, all are called "distillates" (as noted under head of "Distillation"), that is, merely distilled substances. There was no name to adopt for each of these rough distillates in California oils, they are a great deal at variance from those in the East. Their general name in the Eastern States is naphtha, but that term is not used here to any great extent; we use the word "distillate."

4 and 5—Crude naphtha or distillate contains quite a range of products, the average gravity being considerably below that of gasoline. It is too crude for general use, except perhaps as "painters' benzine," and is most often refined by special treatment. Gas engine distillate, however, is a more distinct product, and is used without further distillation for running gas engines. The hazard in both is much the same as that of gasoline, a product of more complete treatment. Not passing the flash test, it comes under the provision of Rule 19.

7—Kerosene distillate must be "treated" to make illuminating kerosene. It is used occasionally in gas engines, but requires heat to be vaporized, and some auxiliary heating arrangement is needed to start it.

8—Stove distillate, used as fuel in private residences and for heating business buildings on a small scale, is a safe oil, the trade calling for a test higher than that of illuminating oil. Being a cheap commodity, however, it is sometimes carelessly prepared. Samples have been found that "flashed" in ordinarily warm air. In District "C" its use for above-named purposes is regulated by Notice No. 57, although the nature of the "distillate" is not therein specified, nor is a limit given to the capacity of the reservoir, which may be in the same room as the stove. The universal demand for this cheap fuel in places where its explosion would be disastrous makes the situation a very hard one to cope with. In large cities it could be more properly regulated by municipal ordinance than by

insurance rules, but neither is likely to be applied until bitter experience will have shown the necessity for it. For San Francisco, the Board Circular No. 184 provides a fairly safe arrangement by limiting the quantity of oil.

The use of stove distillate for the generation of steam is mentioned at foot of Notice No. 57, but so called stove distillate is too valuable for such use to any appreciable extent. The usual fuel distillates in the oil regions range from 30° down, and are generally by-products from the refining of asphaltum.

9—Oils below 30° have a variety of uses. Those about 26° are used in tree sprays, for enriching water-gas, and for other crude purposes. At some refineries, all the heavy distillate is redistilled into the various grades of lubricating oils.

There are no rulings applying to these products. Their hazard should be no greater than that of good kerosene, and they might be given the same treatment.

REDISTILLATION.

Redistillation is effected in order to obtain products more clearly defined in quality than is afforded by rough distillation. Each of the distillates can be divided into several peculiar products, each having its clearly marked properties. The flashing points of the lighter ones are so close together and at so low a temperature that they are of little use for distinguishing them; this object is better accomplished by noting their boiling points.

10, 11 and 12—Refined gasoline is of grades varying from 86° to 68°, but their properties are so much alike that they are frequently used interchangeably. Benzine is also much like the gasolines, especially as to fire hazard. Cymogene, rhigoline, petroleum ether and benzine are not manufactured in California, the demand, if any, being supplied from the East. The remarks below apply with equal force to all of these products.

The hazard of the naphthas is the liability of their readily evolved vapor to mix with air where its combustion cannot be controlled. The vapor, being in most cases heavier than air and colorless, may escape detection, until ignited. See caution under rule 19, D.

(a)—For wholesale storage. The tariff does not recognize storage of these materials in any insurable building in larger quantities than 30 gallons, but as much as 2000 gallons are found and insured in some wholesale establishments.

(b)—For retail handling, up to 30 gallons, permit may be granted with usual charge, as per Section E of Rule 19.

Any occupant of a building may keep one quart of gasoline or benzine without charge. Many insured grocery stores in the South carry gasoline in stock without permit on either building or contents. Such insurance does not receive the approval of the Board office.

The ordinary grocery store hazard is very simple, but when gasoline is carried the hazard materially increases and we have a great deal of trouble. The house-wife finds it more comfortable to cook on a gasoline stove, when the outside temperature is 110° , than to cook with coal, and the community finds it simpler to purchase their gasoline from the corner grocery store, therefore the great temptation for the grocer to carry it, even at the increased hazard to his property.

(c)—For use in individual lamps or stoves. Section B of Rule 19 is rigidly enforced, except that furnaces run by air pressure with tanks no larger than 5 gallons, may be allowed in metal-working and assaying establishments. Although not portable, they are considered comparatively safe, as leaks would be readily detected.

(d)—For gas machines (light, heat, power). Gasoline is needed in gaseous form in a number of devices, the machine for making the vapor being called a carburetor, vaporizer, generator or mixer; the rule requires these devices to be 30 feet away from the building insured, in all cases, and from any insurable building in many other cases. Such devices as have no openings between the generator and the point of consumption are considered as not specially hazardous. Those which introduce the air at some intermediate point are heavily charged for in special rating, no matter where the generator is located, for there is very likely to be a backward flow of vapor through such opening, and consequent ignition in the open air.

(e)—For gasoline and gas engines. The rules are strictly applied to gasoline engines, charges being made for deviations according to hazard. People in the southern portion of this State wonder that we so closely follow up the gasoline engines, when we do not know how many houses have gasoline stoves in them. In the newspapers of San Bernardino and Riverside, we read almost every day about some trouble with gasoline stoves and it seems singular to people familiar with these conditions that we should follow up the gasoline engine so closely when the record against the stoves is apparently overlooked. I believe it is hard to get hold of the gasoline stove; inspectors find it responsible for considerable loss.

The electric spark requirement makes the use of 74° gasoline unprofitable, as it gums up the electrodes in the ignition chamber. I

should say here that this is 64° (California) gasoline that is sold for 74° (Eastern). The product of California crude oil has a great deal of carbon in it, and when the spark is made in the ignition chamber of the gasoline engine, part of that carbon is not consumed and pretty soon the tips of the electrodes from which the arc is made, are gummed so that the flash does not occur. That is a great nuisance. Gasoline adulterated with the California product will very likely give trouble. The general public also find difficulty in recharging electric batteries, hence the frequency with which the torch ignition is met with in the irrigating districts. In the Southern portion of the State the irrigating plants run gasoline engines, and when the power is found diminishing the torch is applied, no matter what the results are. The pumping system is attended with leakage, unless pumps are repacked daily.

(f)—Miscellaneous uses. Gasoline is frequently used as a cleansing agent. Its use gives to cleaning and dyeing establishments their great hazard. Cymogene, rhigoline, etc., have uses in medicine, and for refrigeration in ice factories, being readily convertible from gaseous to liquid state. They are not made in California.

13—Kerosene is most successfully made from Pennsylvania oil, the California product making a smoky flame, unless mixed with the Eastern. (See notes under refineries and distillation.)

14 to 18—The remainder of the list gives only the commonest of the many refined heavy oils made for special lubricating purposes. Each producer gives his own name to his output. Therefore these oils are not uniform. The degrees of gravity are not strictly correct for every kind of oil. There are different kinds of neutral oils, and there are many names used by manufacturers; each has his own way of putting compounds into an oil for lubricating purposes. At one time it was thought that mineral oils would not make good lubricants, but I think some of them are fairly satisfactory.

To make a finished product, the lubricating oil is "treated" with chemicals and steam in upright agitating tanks, and then mixed with certain compounds to obtain the required lubricant effect.

No restrictions are found in the tariff for the use or sale of the heavier oils. Coming under the head of oil stores and stocks, they take a much lower rate than paint and oil stocks. (Applause.)

The President—I am sure we are under many obligations to Mr. Gunnison for giving us such valuable information as his Paper contains. As the hour for our adjournment has already passed, I will now declare a recess until 2 o'clock p. m.

Afternoon Session.

The convention was called to order in afternoon session at 2 o'clock p. m., President Whitney Palache in the Chair.

The President—Gentlemen, I desire now to announce the committee to be appointed by the Chair under the various motions passed this morning, referring to a committee the President's Address, the report of the Library Committee and the report of the Executive Committee. As such committee I will appoint Messrs. A. W. Thornton, W. H. Lowden, Alexander Field, C. R. Thompson, and C. B. Hill. The chairman of that committee will please take note, and communicate the fact to any member named who is not present at this time, so that the committee may report at the afternoon session tomorrow, as embodied in Mr. Folger's motion. The committee will note that they are to report upon the three matters suggested, the Executive Committee's report, the Library Committee's report and the President's Address, and make definite recommendations as to the date for our next meeting, and the time for the presentation of such report will be after No. 12 of the programme.

An interruption will be made here, for the moment, in the regular programme, to permit the nomination of an honorary member, which I understand is desired.

Mr. Kinne—I desire to place in nomination the Chief of the Sprinkler Inspection Department, who is a very important factor in the matters pertaining to insurance and which are of interest to insurance managers, Mr. T. N. Roberts, and to move his election as an honorary member of the Association.

Mr. Folger—I second the nomination, Mr. Chairman.

The motion was put and unanimously carried.

Mr. President—Is there any other business to be taken up before we proceed with the regular programme? If not, and hearing none, we will

now proceed with the regular order. The first Paper for consideration this afternoon is by Mr. Herbert Folger, upon the question, "Is the Rate Adequate"? Mr. Folger.

IS THE RATE ADEQUATE?

HERBERT FOLGER.

With the exception of two Insurance Institutes, the papers presented before this Association have been of such character that their breadth and value have not been exceeded in the aggregate by those of any similar organization in the world. This has been due, first, to their freshness and force rather than to their technical perfection and literary merit; and secondly, to the vigor of the membership, which has been made up of special agents, many of whom have been graduated into managerial ranks. Anything which touches their interest closely must deserve your consideration; and in seeking for a topic, none seemed more worthy of notice on this occasion than a recent remark by President Washburn of the Home Insurance Company of New York. He said to the Fire Underwriters' Association of the Northwest that, owing to the intervention of rating bureaus and stamp clerks, the special agents are losing their influence and prestige, and in time may cease to be of consequence to the business. While believing that special agents have duties enough to justify their engagement irrespective of the rating question, it is fair to meet directly the issue raised by Mr. Washburn. On the Pacific Coast special agents have no part in the fixing of individual rates; but it does not follow that they have no influence upon them. In order to treat the discussion in a practical manner, the theme selected is the question found on nearly all of the inspection slips sent to special agents, "Is the Rate Adequate"?

In discussing the theme from the standpoint of special agents, we are called upon to consider (1) how rates are fixed, (2) what standards exist for their criticism and revision, and (3) by what means special agents may form opinions as to their adequacy.

PACIFIC COAST RATING SYSTEMS.

The rating systems upon the Pacific Coast are two in number, Tariffs and Schedules. The tariffs are the outcome of an attempt to prescribe rates thirty years ago when the business was limited in extent and average rates were generally sufficient to cover the average hazard. It is stated

in the tariffs published in 1869 that they were based upon a previous experience of some eleven years ; but as to the tariff which answers to Book No. 4 at the present time, the experience must have been shorter, as agencies were not established outside of San Francisco until about 1863. Curiously enough, the tariffs have been revised but little in the intervening thirty years ; and the exposure tables in Book No. 4 are almost identical with those published in 1869. As rates fixed in this manner are inflexible, it has become necessary, as towns have improved, to increase the number of tariffs to seven. While this system may answer for unprotected districts and those which are difficult and expensive to reach by surveyors, it is unsatisfactory both to the insured and the insurer. The compilers of the first tariffs were careful to offer the following comment upon their rates and exposure charges : " We do not claim for them a perfection that will prevent their being deviated from ; but, being based on eleven years' experience on this Coast, and adjusted to the best risks of the several classes, they are to be accepted as minimum in all cases, to be added to when found inadequate."

SCHEDULE RATING.

Schedule rating is an intelligent attempt to fit rates to the conditions existing in both towns and individual risks ; and under it, it is not expected that two risks of the same class will rate alike. The schedule begins by fixing the rate of one percent for a building of standard construction in an ordinary town without fire protection ; and to this, various charges are added for defective construction, occupancy, etc. From the gross rate there is deducted a percentage based upon the credits given a city or town for the means of fire protection and extinction possessed by it. If the building to be rated had no deficiencies, its net rate, in a given city, would evidently be the rate for a standard building therein : and this answers to what is termed the key rate of a city in the East. Further deductions are allowed for local fire protective appliances, proximity to hydrants, etc. In order to obtain the rate on contents the specified charge for the particular stock is added to a figure representing 80% of the final building rate. The effect of this plan is to bring rates on buildings and contents close together in a town with little fire protection, and to make considerable difference between them in well protected cities. The charges, credits, etc., in the schedule are largely experimental ; and it will require many years experience to bring it to a state approaching perfection.

In the Eastern cities, the key rate is used as a basis for every brick building, all charges for deficiencies being net ; while on the Pacific

Coast these charges in every building rate get the benefit of the general reduction allowed for the fire protection of the city. Whether these charges should be added gross, or net, is a question which may be discussed at some other time.

APPLICATION OF THE RATING SYSTEMS.

The application of the tariffs and the schedules on the Pacific Coast is made by intelligent surveyors, most of whom have had no training in insurance offices ; and they are, therefore, inclined to treat the material given them as authoritative. It is natural for a surveyor who is instructed to rate a town by the schedule or tariff handed him with the approval of the companies, to conclude that rates thus obtained will be adequate. In the absence of what is termed underwriting experience, a surveyor cannot be asked to discriminate among the different risks surveyed and the rates made by him ; but the application of the schedule leaves ample room for criticism and revision of the rates by those whose experience has been broader. It is, therefore, not only the privilege of the special agent to criticise individual ratings, but it is his duty to do so ; and the thorough training growing out of such criticism will be of the utmost value to him.

RATING STANDARDS.

By what standards shall Pacific Coast rates be judged ? While the tariffs and schedules have been prepared under the direction of long experienced underwriters, they are not perfect, and some of them are sadly in need of revision. Hence they cannot be considered as standard in themselves.

The source from which guidance may be expected must be the records of the companies which have been writing the business regularly ; but these records are not kept according to any agreed plan. Classification statistics are generally crude in form ; and the figures of one office for a single class are too small to be reliable. The combined figures of all the companies for a sufficiently long period would approximate the truth ; but the companies have no figures which can be so combined at the present time, since their classifications vary greatly, and very few of the statistics separate protected and unprotected business so intelligently that the statistics will fit the various series of rates in use. For example, it would be desirable, in using statistics, to have a record giving Book No. 4 business in California apart from similar business in the Willamette Valley, or in Idaho ; and the so-called Book No. 3 towns in California

should not be mingled with such cities as Butte, Seattle and Albany, which are rated under the same tariff.

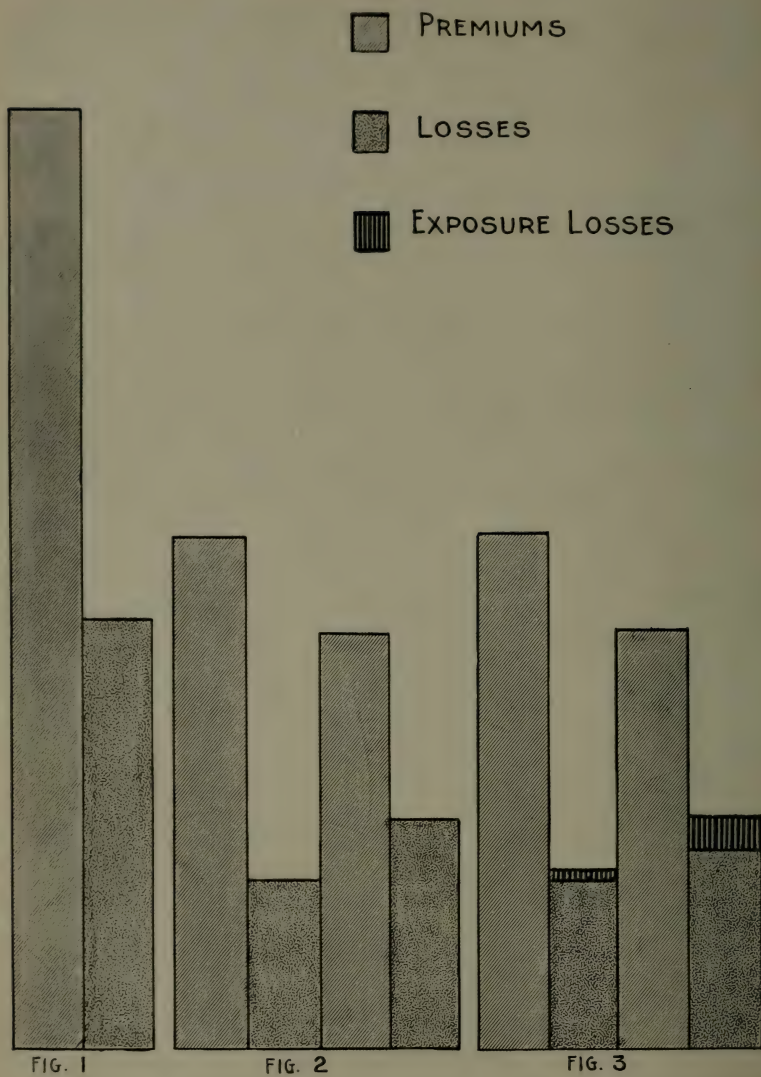
CLASSIFICATION STATISTICS.

The Board of Fire Underwriters of the Pacific, at the instance of this Association, has made an attempt to build up classification statistics according to the method suggested; but the figures aggregated up to date have not covered a period long enough to make them conclusive. The committee in charge believes that a five year period is insufficient; and a review of the statistics in their present incomplete form by an expert statistician has led him to report that they cover a term the burning ratio of which is much less than the average, and is, therefore, unreliable for guidance in estimating adequate rates. Professor Plehn remarks that "The chance seems to be only one in twenty-seven that another period of five consecutive years will show as low a loss record."

It is well to add in this connection that President Washburn in his address emphasized the need of caution in dealing with statistics; pointing out that even in the business of a single company the utmost care must be used in studying the results obtained. The committee having charge of the records finds a still greater need of this caution in dealing with large groups of towns and the volume of business which passes through the Board offices. It is apt to be overlooked that published rates are gross, while the classified results compiled by companies are net, the latter giving lower average rates than those charged in the original policies.

While it is impracticable to present results of a confidential nature, it does not seem out of place to submit a few diagrams of general character, for the purpose of illustrating what a good combined classification scheme will do.

The diagrams presented give a very meagre idea of the character, scope and value of the statistics now being aggregated. Each class is carried through thirty-one groups, brick and frame risks being recorded separately; and while this results in splitting up many of the classes so that no single group gives a fair criterion, it has the merit of locating the cause for any lack of profit. In the loss accounts, it is not only possible to determine the proportion of loss due to inherent and the exposure hazard, but also the proportion of insurance exhausted. For example, in one group of protected cities, the ratio of direct loss paid on frame dwellings to insurance involved was 10.3%; in another, where the rates are a little higher, the ratio was 17%; in another 24.8%; while in an unprotected group it rose to 44%. If it shall prove in ten years that the



probability that fire will occur from inherent hazard is much the same whether the risks of a class are protected or unprotected, then their basis rates may be made to correspond with such ratios as these, respectively.

FRAME DWELLINGS.

Figure 1 represents the premiums received (column 1) and the losses paid (column 2) on frame dwellings in 16 groups, protected and unprotected. It covers about \$5,000,000 of premium income; and the groups omitted comprise both profitable and unprofitable localities. The period covered in all the diagrams is four years, from 1898 to 1901 inclusive; during which time the average loss ratio upon all classes was 43.6%. The average of the dwelling class was 46.6%. The purpose of these illustrations is to portray vividly the advantages of like treatment under like conditions. Therefore, we must segregate these results so as to present the protected and unprotected groups separately.

Figure 2. The first two columns give the results in eight groups of protected dwellings with an average loss ratio of 36.8%; and the next two columns, the results in eight groups of dwellings in unprotected (Book 4) towns, villages and the open country, with an average loss ratio of 59%. The most casual observer will see the absurdity of attempting to deduce anything from *Figure 1*, for guidance in fixing the basis rates of Pacific Coast dwellings, in the face of *Figure 2*, whether its averages are confirmed by a longer period or not. This suggests the thought that basis rates apply to detached risks only; which brings us to the consideration of

Figure 3. The losses paid are segregated here so as to show, approximately, the effect of the inherent hazard of dwellings and the losses caused by exposures. As might be anticipated, the latter are most irregular in the protected groups, representing in all less than 3% of the income.

The unprotected dwelling groups give an average loss ratio of 59%. Of this, 49% is from inherent hazard and 10% from exposure losses. It may safely be asserted that these figures will be raised, rather than lowered, by a longer experience. The dearth of general fires extending into the dwelling districts during the past few years has made the showing much better than it is likely to be again for some time.

Figure 4. When every group is intended to give us rating standards, it must be resolved into its simplest elements, and be approached from as many sides as possible. Therefore, one of the eight groups of protected dwellings which were merged into *Figure 3* has been segre-

gated so as to show each year by itself. It is made up of some of the California towns which passed through the Rate War of 1895, the long term business being so violently disturbed that the term risks (in 1898 and 1901) represented double the liability upon three year risks in other years. Hence a four year period is misleading in California; and the

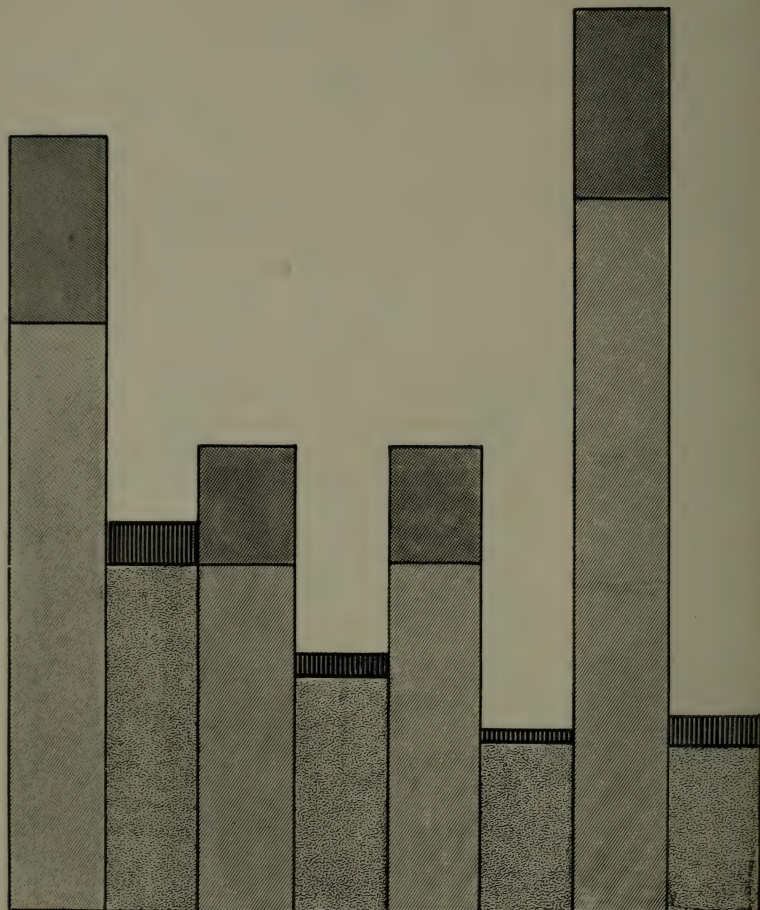


FIG 4

ratio of direct losses to earned premiums was nearer 42% than 37%, as shown in the diagram. This is much higher than such a group should experience; but this is merely a single step in the process. If a committee wished to determine the propriety of altering the basis rate upon the group, the next step would be to further subdivide the income and losses. The former was received from more than ten cities differing in population, climatic conditions, and degree of protection, although subject to the same tariff. The approximate income from each could be estimated; and the losses in each are already recorded. Intelligent consideration of the result might show that two or three cities had a worse experience, year by year, than the average; and a committee, in place of altering the basis rate for the entire group, might recommend that the unfortunates be transferred to another group, subject to the next higher basis rate. This has often been done in the past with far less material to guide committees than we shall possess in the future. Another step is to ascertain the ratio of loss to insurance involved. To illustrate, the ratio of direct losses to amount of insurance on the dwelling property damaged was 13.7%. In the four years, respectively, the ratio was 17%, 13%, 18%, and 12%. In a critical inquiry it would be profitable to follow this into the different cities. Even this would not complete the inquiry; for it is important, in ascertaining results in protected cities, to learn how many total losses are included. If several total losses are reported, it might be due to the lack of mains of adequate size in the dwelling district; and the correction needed might be the allowance of a low basis rate for dwellings within the well-protected district (to be specifically described in the rate book), charging other dwellings a rate nearer that for unprotected risks.

Figure 5. This represents a group of unprotected dwellings, from which the income was large and the results were uniformly unfavorable. The average loss ratio for the period was 86%. The income allowed for inherent hazard could not have provided for losses and expenses; and it is to be hoped that this may not be confirmed by the statistics of the next four or five years. The proportion of losses paid to insurance involved in fires caused by inherent hazard was 44%. The difference between the class of dwellings entering into this record and those in Figure 4 is material; for while, in the latter, the average size of the policy affected in over a thousand loss claims was \$1,264 with less than 15% damage, in Figure 5 the average policy was only \$903 with nearer 45% damage. The difference arose principally from the number of total

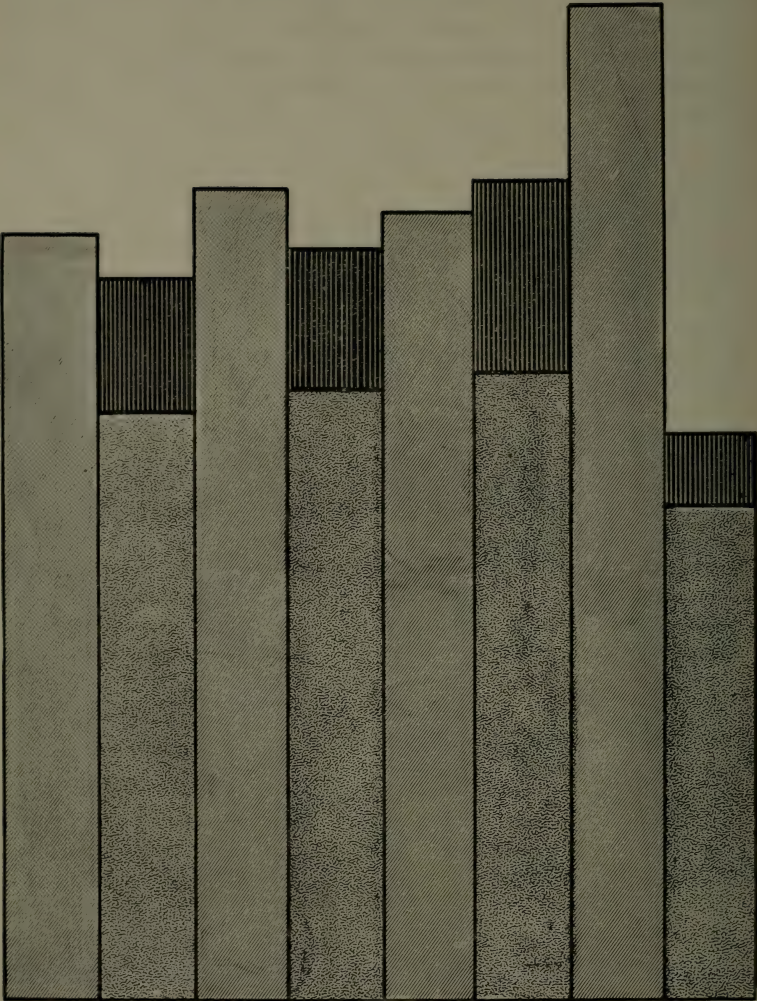


FIG. 5

loss claims represented in Figure 5; the absence of adequate, or any, fire protection making these quite common.

The estimated income for the exposure hazard probably covered the losses and expenses during the period; but it must not be expected to do so, as a rule. In the present tariff, a dwelling is charged 66% of its basis rate when exposed by an adjoining dwelling, and 90% of the basis rate of an adjoining store building; but if 26 feet intervene, a dwelling exposure is charged for to the extent of 46% of its basis rate, while a store building is considered to be worth only 24% of its basis rate, a most unsatisfactory state of affairs.

Figure 6. This diagram is drawn from one of the districts where rates have been of little avail in dealing with the fire hazard. The annual income is small, and a year rarely passes without more than its share of losses. The ratio of direct losses to the premiums for four years was 67.5%. The ratio of loss paid to the insurance involved in direct losses was 48%. The exposure column is of serious import. In 1898 and 1900 fires starting in the business portions of two towns spread directly into, and consumed large sections of, the dwelling districts. This emphasizes the value of the device of placing exposure losses in a record quite distinct from that of direct losses.

Figures 7 and 8. The districts covered by these diagrams are similar in character, subject to the same tariff provisions, and have had the same loss experience during the past twenty years. Curiously enough, the diagrams only partially confirm this view. It will be recalled that the average ratio of losses to premiums upon the eight unprotected groups of dwellings in Figure 3 was 59%; while the ratios of the single groups in Figures 7 and 8 are 41.8% and 64.8% respectively.

Figure 7 includes several towns having fair facilities for fire protection, so that the ratio of loss to amount of insurance involved in fires from inherent hazard was only 29.5%. Notwithstanding this, the estimated premiums from inherent hazard for the four years at the rates of 75c for one year and 1.50% for three years were not excessive, the ratio of direct losses thereto being 66%. Even if a liberal allowance were made for additional income to cover deficiencies, there would be no margin of profit, after allowing for the increase in unearned premiums. It follows that the income from exposure charges was far more than enough to cover the exposure losses shown in Figure 7; but, in these smaller groups, one conflagration could easily exhaust the surplus income from exposure charges for ten years.

While, geographically and climatically, the districts covered by Figures 7 and 8 are almost identical, the latter includes no towns having

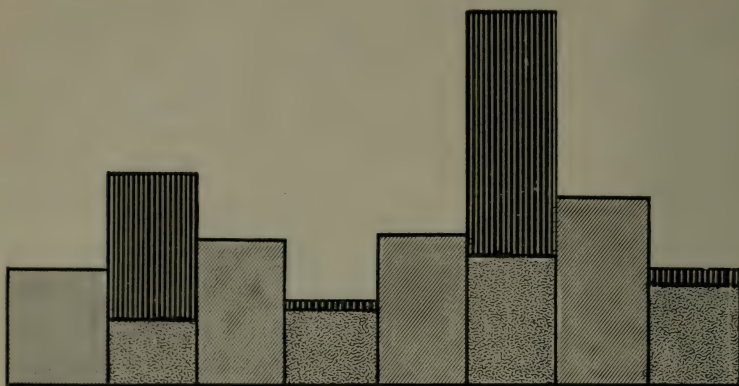


FIG. 6

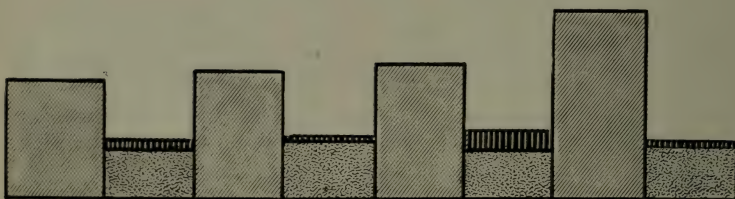


FIG. 7

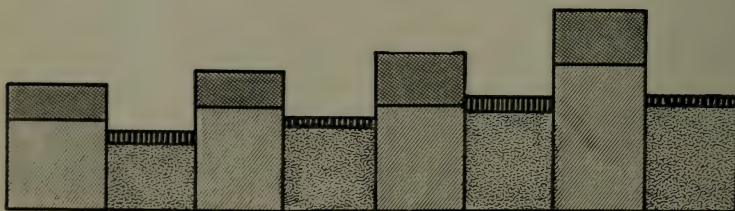


FIG. 8

facilities for fire protection, except such as have had repeated conflagrations. Therefore, instead of a low ratio of direct losses to insurance affected, the group shows an average of 46.6%, which is even worse than the group represented by Figure 5. The ratio of direct losses to estimated direct income approximated 88%, and the ratio of exposure losses to exposure income only 8%. This impels us to anticipate that a period of greater length will probably make heavy inroads upon the exposure income, while there is little hope of reducing the ratio of losses from inherent hazard except through the gradual improvement of fire protection. The trouble is that, the moment a town provides a good water supply and really effective appliances for fire extinction, it is entitled to a better series of rates than Book No. 4; and the withdrawal of such a town from an unprotected group accentuates the loss ratio therein.

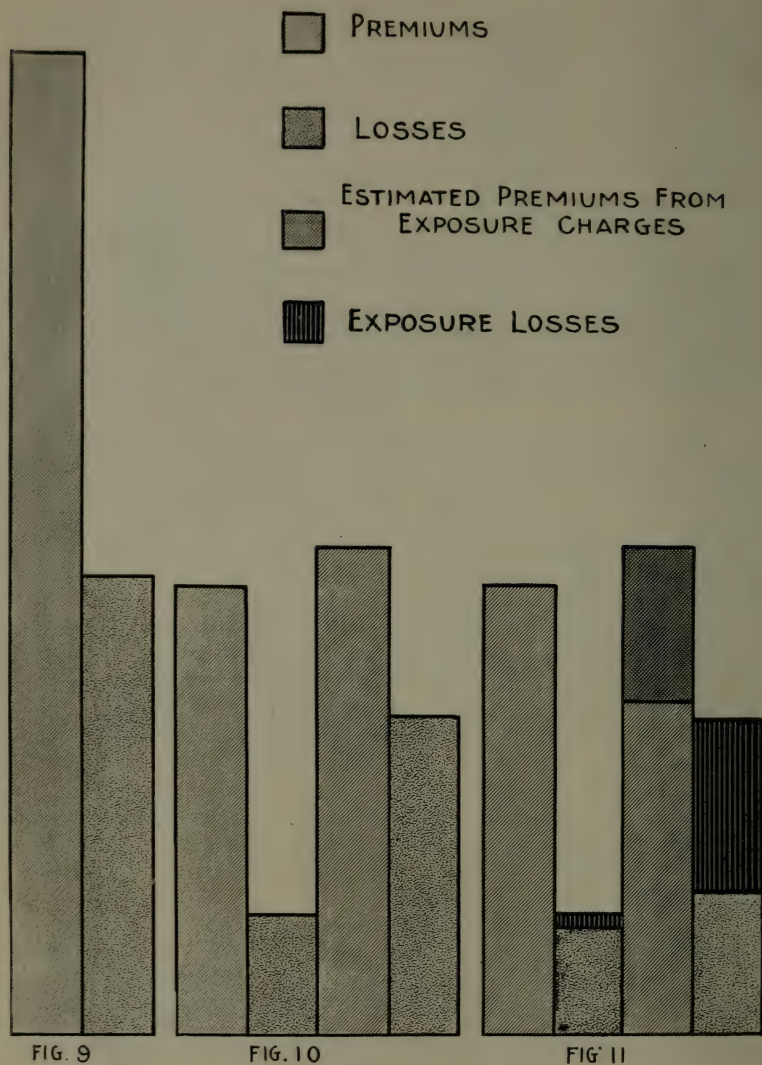
FRAME MERCANTILE BUILDINGS.

The remaining diagrams (Figures 9 to 20 inclusive) deal with frame mercantile buildings, a class of business which is much more complex than the ordinary frame dwelling. While the latter is frequently detached or is exposed only by non-hazardous risks, store buildings usually are found in rows, exposed by such risks as frame hotels, livery stables and the like; so that statistics relating to them must be examined with caution.

Figure 9. The first column, as in Figure 1, represents the aggregate income derived from sixteen groups, of which eight are protected and eight unprotected; and the second column the total losses reported thereon. The income was a little over \$1,000,000, the scale being different from that used in Figure 1. The loss ratio for the four year period was 48%, as compared with the Pacific Coast average for all classes of 43.6%.

Figure 10. In this diagram the first and second columns show the premiums and losses on protected groups with a loss ratio of 30.1%; and the third and fourth columns, on the unprotected groups, with a loss ratio of 64.3%.

Figure 11. The basis rates of frame store buildings vary greatly in protected groups, so that one can hardly estimate the income from inherent hazard in this diagram. It is apparent that it was sufficient to meet the requirements and the exposure income was called upon for very small contributions. The unprotected columns tell another story. It may be assumed that 2.50% per annum was received for the inherent



hazard, and upon the income thus estimated the ratio of losses was about 50%. (In the diagram as reproduced the direct and exposure losses have been transposed in error). On the other hand, the estimated exposure income showed a loss ratio of 98%. These results are useless for practical purposes and merely indicate where attention to detail is needed.

Figure 12. This group of protected risks is one which has been regarded favorably for many years, and the average ratio of loss to premiums in the four years was 27.1%. The ratios of direct losses to insurance involved are more irregular than in the dwelling groups, being respectively 4.8%, 15.1%, 6.6% and 10.5%, the average for the four years being 9.16%. Many more than four years will be needed to give us sufficient light to reach conclusions regarding rates on frame mercantile risks under fire protection.

Figure 13. This diagram covers a series of protected cities in which the average rate received was about 10% higher than in Figure 12. The difference in results, however, is quite marked, the loss ratio being 67%. As the mischief was caused by inherent hazard, this is an instance where the student would need to delve into the record of each year and to examine the losses, town by town. The ratio of direct losses to insurance involved is higher than in Figure 12 and seems too high for such a protected group, averaging 21.2%.

Figure 14. This group is interesting. The income is growing rapidly, and the loss ratio of 15.4% is misleading. The average rate charged was nearly 100% higher than in Figure 12, chiefly due to the heavy exposure charges included. Probably the ratio of direct losses to the income for inherent hazard was about 30%, but the absence of exposure fires during the four years left a handsome surplus. The ratio of direct loss to insurance involved was 13.1%, indicating an efficient grade of fire protection.

Figure 15. This diagram corresponds to Figure 5. The ratio of loss to premiums for the four years was 102.2%, the direct and exposure losses dividing the honors about evenly. But the basis rate of 2.50% per annum, the average for a frame mercantile building under Book 4, furnished enough income to reduce the loss ratio for inherent hazard to about 70%, leaving the estimated exposure income to carry a ratio of about 200%. The remarks in connection with Figure 5 apply to this diagram also.

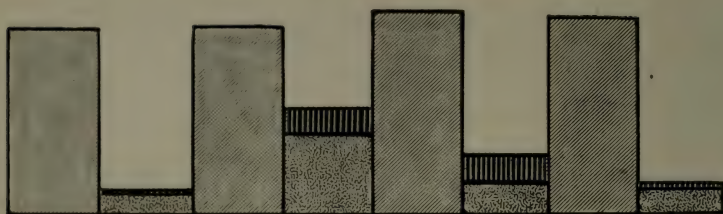


FIG. 12

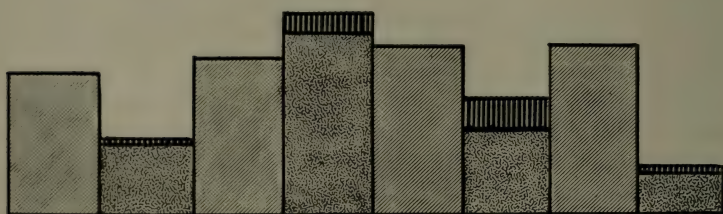


FIG 13

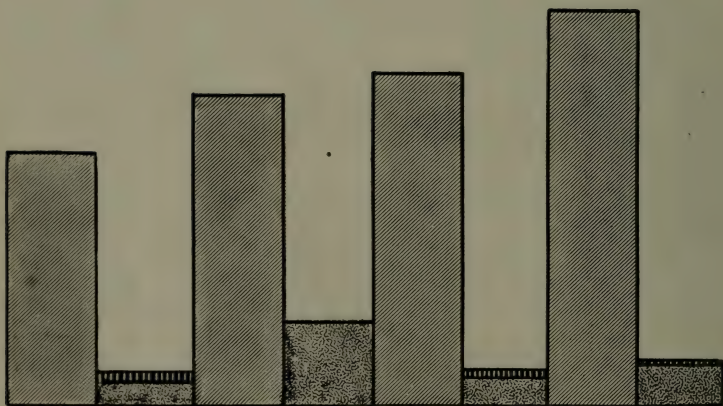


FIG. 14

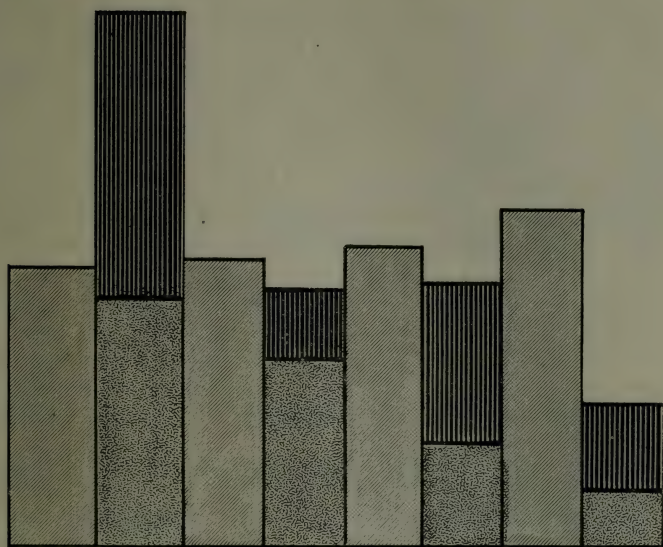


FIG. 15

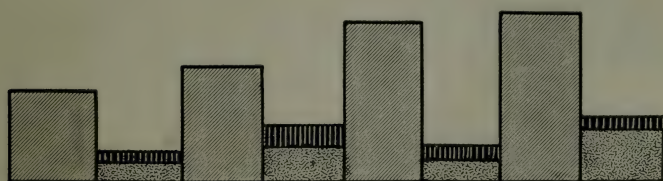


FIG. 16

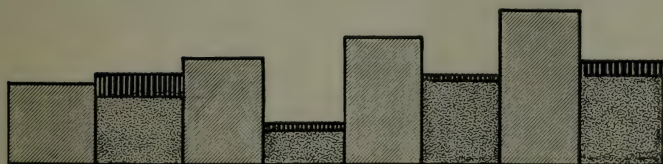


FIG. 17

Figure 16. This diagram was a surprise. For many years the district covered by it had caused loss and anxiety. In consequence the average rate is more than 1% per annum higher than in Figure 15, and there is some hope of a satisfactory outcome. The loss ratio for the four years was only 34.5%. Nevertheless, the lack of fire protection is confirmed by the ratio of direct losses to the insurance involved of 48.8%. Probably the loss ratio upon the income from inherent hazard alone was about 50% and upon the exposure income only about 16%; but a few general fires will soon change the latter figure. No one would suggest a reduction of exposure charges in this district for the present.

Figure 17. With a rapidly growing income, the field covered by this diagram showed a loss ratio for four years of 66%, nine-tenths of the losses arising from inherent hazard. The ratio of direct losses to insurance involved was 36.7%. This record shows such a departure from the probable results, especially in the number of losses per 1,000 policies written, that it confirms the suggestion that statistics should not be accepted blindly.

Figure 18. This diagram is a striking example of the irregular experience upon frame mercantile business in unprotected districts. The annual income is too small to give stable results in the face of frequent conflagrations; and even an average rate of 5% per annum leaves no margin. The loss ratio of the group was 252% for four years, four-fifths of the losses being caused by conflagrations.

Figure 19. The income of this group doubled in four years, notwithstanding which the loss ratio was 85%. The direct losses practically exhausted 66% of the income from inherent hazard, leaving the exposure charges to bear a loss of 100%. Frame ranges in a hot dry climate are not likely to be profitable at the present rates. The ratio of direct losses to insurance involved was 54%.

Figure 20. The last diagram was an agreeable surprise. Theoretically, it should have shown worse results than Figure 19, but the average loss ratio was only 47.8%. The ratio of direct losses to insurance affected was about the same. A longer period will be necessary to guide us in arriving at any conclusion with reference to this group.

PRESENT SYSTEM EXPERIMENTAL.

It is necessary to reiterate the statement that the classification system adopted by the Board is still in its experimental stage. The system adopted, while an important advance over anything previously attempted, is still too crude and general in character to give results to guide us in

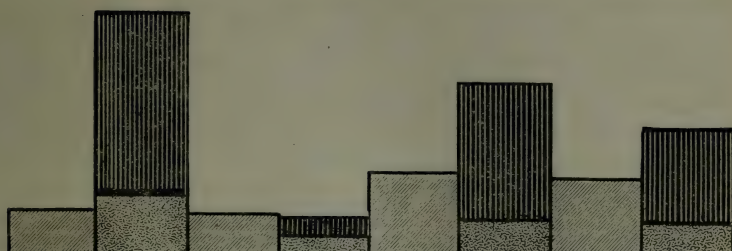


FIG. 18

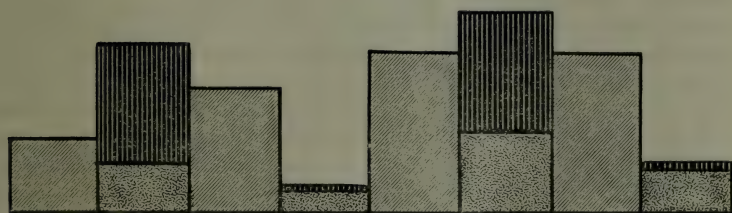


FIG. 19



FIG. 20

fixing charges for occupancy in the mercantile schedule. The real object of the system is to split up the results previously obtained for the entire Coast or for separate states, so as to determine exactly what sections of country or groups of towns have been decidedly worse than the average, or have been continuously profitable. The details of the changes must, for a long time to come, largely be governed by the intelligence and experience of the underwriters themselves.

UPON WHAT THE ADEQUACY OF A RATE DEPENDS.

Expressed in general terms, the adequacy of a rate depends upon (1) The hazard of the town ; (2) The hazard of the class ; (3) The hazard of the individual risk, and (4) The hazard of its exposures.

It is hoped that the statistical records of the companies, under the improved system now employed, will reveal the values of the first and second of the above elements. The third and fourth can never be a matter of mathematical determination, but can be passed upon by the Special Agents better than by any other class of men associated with the insurance business. The whole object of this Paper is to urge that Special Agents give their first attention to the individual risk and its exposures; and that they make it a practice, without hesitation, to comment in correspondence with their own offices upon individual rates as now published, whenever these do not appear to be consistent. Notwithstanding that the schedule in use for estimating special rates, more particularly on brick buildings, is quite intricate, and is intended to provide for all the principal faults of construction, management, occupancy, etc.; nevertheless, every one of its items is in the nature of an *average* charge for the *average* defect observed. This means that the charge for a skylight or elevator shaft may be altogether too low in a small store building and may be far below what is necessary in a large area risk. The discretion exercised by surveyors in estimating rates, in the nature of things, must be limited ; and the rates estimated by them cannot possibly be examined in detail by their superiors. Therefore, it is the duty of the Special Agent to consider whether the rate named for a given risk has provided a sufficient charge for the more important defects of construction, etc.; and if, in his opinion, the rate does not cover the ground necessary, he ought to say so and give the reasons why. Of course this involves an intimate knowledge of the schedule ; but in the case of the ordinary mercantile risks in congested districts of the large cities, a few weeks' practice will make one quite proficient in using it.

HOW MAY THE SPECIAL AGENT FORM HIS OPINION?

In the absence of the opportunities possessed by company officials and department managers, the special agent will find it necessary to use practical and everyday expedients in training himself to determine the adequacy of rates. He must depend upon the instructions furnished by the company, next upon association with his fellows, and lastly upon his own convictions. As the pressure of business life becomes greater, and the demands upon our time more numerous, instructions to special agents become more stereotyped. They are often limited to the multitude of details affecting the agencies to be supervised, leaving but little opportunity to deal with general results or abstract questions. Criticism of risks accepted, and occasional instructions to cancel, are useful as far as they go; but large offices cannot take the time to give a thoughtful review of rates prescribed for a town or class. The prohibited lists we have with us always; for so much the special agent may be thankful.

CO-OPERATION.

Conference with his fellows is a profitable undertaking for a special agent. The man who takes the narrow view that what he has learned has cost his company and himself time and money, and is not to be parted with lightly, overlooks the fact that by exchanging a little with many others of equal rank and experience he will receive many times his own wealth of knowledge. Such an exchange by no means implies agreement in conclusions; on the contrary, divergence of views is common. But in the multitude of counsel there is wisdom, and the judgment of the many is usually safer than the opinion of any one. It matters not whether the conference is upon a single rate or a class, an entire district or the effect of important losses, the consensus of opinion is the thing to be desired.

In the end, a man must rely upon his own convictions. These are formed by study and observation. Study on the part of a special agent is not precisely what the term implies for a student. It is the selection and assimilation of the large mass of material which passes in review before him every year, rather than an effort to delve into a single inquiry, or to commit anything to memory. The power to discriminate is of the greatest value to a special agent, and it need only be added that anything learned should be well learned.

WHAT IS TO BE STUDIED.

What is to be studied must depend partly upon the temperament of the special agent. There are some things in which one should be rooted

and grounded, such as the tariffs and schedules. If any of the members are without practical knowledge of these, and are indisposed to acquire it, then to such this Paper has nothing to offer. It would be absurd to suggest that a special agent may pass intelligent criticism upon a rate, if he does not know how it is estimated.

He will naturally give some attention to the results of insurance by States in the particular district in which he is engaged, comparing one year with another, and noticing which is the more profitable, and why. Next, there is often an opportunity to learn something of the relation of fire losses to premium income in large cities ; for, while the special agent cannot readily tell the income from any city accurately, except in San Francisco, he can always estimate it closely. It is quite important to know what the relation is between the results in a metropolis and the rest of the State.

Besides the material published for reference, there is much of a confidential nature which the special agent owes to himself to study with even greater care than general statistics. For example, the premiums and losses by agencies, which all leading companies furnish monthly for the information of special agents, are an unerring guide to the profit or loss which may be expected from any district in a series of years. The figures of a single company are not conclusive as to a city or town, or a single class ; but they may be depended upon to indicate the hazard of a section. They are of value also in fixing lines ; and the sagacious special agent will find that the adequacy of a series of rates may depend to an important degree upon the lines accepted as compared with the income to be obtained. It may properly be suggested that, whenever a special agent finds that a given point has been steadily unprofitable in the experience of his company, and that other companies show similar results, it will be his opportunity, and his duty, to report that the rates are plainly inadequate and should be increased ; and such report should include a concise account of the reasons which, in his opinion, have led to the results, and the particular classes which seem most in need of treatment. Had this course been followed, we should not have heard, for example, of the withdrawal of a company from San Bernardino because it was unwilling to accept Book 2 rates after results calling for the compilation of Book 5.

THE VALUE OF OBSERVATION.

If study is valuable, intelligent observation is more so. Many of the rates in the tariff, and nearly all the charges and credits in the schedule,

came from observation. It is true that some of them were inherited from Eastern organizations of similar character; but ultimately the fact remains that they were deduced from the experience of underwriters as carried in the memory, rather than as recorded in books. It may not be feasible to continue study all our lives; but certainly observation ought not to cease for a moment during an insurance career. The changes and defects of different methods of construction; the causes and effect of fires; the varying degrees of damage inflicted by fire, water and smoke upon stocks of hazardous and non-hazardous character; the immunity of brick buildings and their contents from heavy losses as compared with frame structures; the relation of the insurance carried to the value of the property insured; the growing hazard attending the use of new methods of lighting and heating; the outcome of building one large manufacturing plant to take the place of ten smaller ones in as many different localities; all these have great weight in determining the result to be achieved by the underwriter, and each deserves his careful consideration. It is impossible to do more than point out the way for special agents, it remains for them to follow it, each according to his own bent; but the personal good to be derived cannot be overestimated.

With all this, it is not contended that a special agent may equip himself so as to pronounce an authoritative opinion that the rate on the building in which this meeting is held should be 60 cents per annum, as it is, or that it is exactly 11 cents per \$100 worse than the two story building across the street. No manager in the business would presume to do that. But he may learn to judge between two risks of the same class, or between two different classes, as no surveyor has done, or is ever likely to be able to do, if the special agent avails of his opportunities to the fullest extent.

SPECIAL AGENTS VERSUS SURVEYORS.

President Washburn's address made much of the intervention of rating bureaus where special agents formerly fixed rates directly, or through local Boards under their supervision; and he deprecated this tendency as being unnecessary and unwise. On this Coast we have built up the most elaborate rating bureau in the United States, and no special agent has any voice in it directly. The income passing through the Board office will not quite equal that of the New York Fire Insurance Exchange, yet it is wholly different; the latter is homogeneous with 137,000 risks specifically rated in one city under fire protection, while the income of the Pacific Board arises from eight States with a maximum

rate of 15% per annum. It is both necessary and equitable to deal with so large a field by consistent methods. If a given series of rates is wrong the error extends throughout the jurisdiction; and its revision at one point will be followed promptly by like treatment elsewhere. Of the sixty-six classes used by the Board, about twenty are admittedly unprofitable or prohibited; but they represent less than 5% of the total income and a drastic advance in their basis rates would produce little effect in the aggregate. The leading classes, especially the mercantile groups, probably show much better results than are obtained in the Eastern States; and the treatment required is in the direction of changes in detail, rather than percentage advances and reductions, which are always to be deplored. Of all the men in the business, experienced special agents are the best fitted to offer suggestions as to these minor changes; and far from ceasing to be of consequence, their recommendations and criticisms should make their influence increasingly felt. In a large measure it rests with the membership of this Association to say whether this shall be true or not. In this connection we may emphasize the truth of President Washburn's further remarks that the basis rates in the tariff and nearly all the charges in the schedules have been estimated without direct proof as to their being correct or even relatively fair; and secondly that no schedule has been, or can be, prepared which will rate every risk properly if literally applied. Since the schedules and tariffs are, and we believe must continue to be, applied by the surveyors, who are not underwriters in the complete sense of the word, it is all the more important that managers and special agents should scrutinize the work done by them, and offer practical suggestions as frequently as possible. The special agents are literally on the ground; and they are in a better position to offer these suggestions, and are more apt to have individual cases brought to their attention.

THE DIFFICULTIES OF REVISION.

The year 1903 has been a notable one in the experience of Pacific Coast underwriters. A marked increase in the loss ratio has come, not from conflagrations in unprotected towns, but from heavy losses in brick buildings, which have not extended to other risks. If this is a sign of what is to come hereafter, our rating system may need careful revision. In this event we shall be in the position of the owner of a mercantile building who is called upon to remodel it for tenants who are unable or unwilling to move. Their business must go on without interruption. We have seen such instances where the show windows are taken out,

the main floor largely boarded up, the building surrounded by scaffolding, and work done in sections, and where the general effect no doubt has been extremely unsatisfactory to owners and occupants, and the architect would have been glad to see the building razed to the ground and an opportunity given him to erect a modern structure according to his own ideas. The Board of Fire Underwriters of the Pacific is in much the same position as the architect; finding it necessary to permit its members to go on doing business daily, no matter what happens; and if revision is to be attempted it must be done in sections with a practical regard for the interests of the community and the convenience of doing business. It is out of the question to discard the present systems entirely and make new ones. The membership of this Association is competent to offer the most valuable suggestions for the treatment of our rating systems, but they must be thoroughly prepared and supported by good reasons, or they will never secure recognition.

Our programme this year is notable for its few Papers and for their technical character. This is simply in line with the tendency all over the United States to specialize in every department of business, and to depend upon experience to train men for the perfection of work and research. If we seek to equip ourselves for such work, no one can compete with us, and we shall realize to the fullest extent the old truth that to him that hath shall be given, and he shall have abundance; but if we neglect these opportunities, and professors and college graduates gradually intervene, with the training which few of us possess and with the willingness to secure by patient study that which is already within our grasp, then may be taken away from us even that which we have. In such event President Washburn's prediction may be less chimerical than it seems. It is worth all the very best efforts of our members to disprove the truth of the assertion, and to show that the special agents are, and will continue to be, the backbone of the business.

[Applause.]

The President—You have before you, gentlemen, a Paper which is the result of a student's work. Such a Paper can not be prepared by one who is not industrious and who is not willing to make an effort. It is nothing short of stupendous research that has been necessary to condense into a few minutes for us the matter given by Mr. Folger upon the subject chosen. We have had discussions in the past about this matter of the scope of the special agent's duties, and the fact that they are rele-

gated to the back ground by the increasing scope of the duties of the Board surveyor. It is refreshing to see the two harmonized, as Mr. Folger has harmonized them. I would very much like to hear from some of you in regard to how this appears to you practically, to learn wherein it is thought the Board surveyor is interfering with the work of the special, wherein his work would be increased, or where your duty should be enlarged, or where lessened. Mr. Thornton, can you give us your ideas, your experience in that connection?

Mr. Thornton—It would appear, Mr. President, that it is Mr. Folger's idea to give the fieldmen the proper data from which to study this question. If this is done we will certainly inform ourselves in every possible manner at our disposal. We cannot secure the formulæ used by the rate makers, except for shingle mills, saw mills and woodworkers. The consequence is that we are unable to tell a property owner what the charge is for an unprotected opening, for a stated change in occupancy, for excess area, etc. We are accused of not knowing our business. But give us all the facilities possible to enlighten ourselves and we will be a help to the surveyors. We will cause Mr. Stillman, Mr. McKenzie and the others less trouble and annoyance in asking for unwarranted reductions in rates, and there will be many requests for raises in rates when we are educated in the manner of applying the schedules. We wish to be of every possible assistance to the ratemaking bureaus, not a detriment.

Mr. Osborn—It is needless to say that the Paper that has been prepared by Mr. Folger and read comes up to the usual standard of communications from the gentleman who read it. The question, however, of whether the rate is adequate, submitted, as it is, to every special agent on his report, is one that I think most all the managers will agree is practically open,—a question upon which the special agent must answer in a perfunctory manner with a "yes" or a "no." In my own case, the experience has been very unsatisfactory in learning whether, in the opinion of special agents, the rate is adequate, and if it is not, from what cause. The reference to the address of President Washburn, it occurs to me has been tangled. The remarks of that gentleman have, from time

to time, challenged my attention on that very statement of the possible degeneracy of the special agent arising from the fact that he is lost sight of in the question of rates. I do not think so. I agree with Mr. Folger absolutely that the identity of the special is well established, in the making of rates, by reason of his criticism in his reports to his management, and of frequent suggestions regarding where rates could or could not be bettered, etc. The special agent, to my mind, has far more time for the discussion and the study of the rate on the ground than the management has in San Francisco, and this is so of necessity. It is my judgment that the special agent is apt, however, to relinquish the duty in question, or rather to shrink from it; because of his fear that, in criticizing the rate of a superior, or of the rate-making power, that he is running counter to authority, possibly to statistics, and very likely to certain facts which are not presented to him in the discussion of flat or other rates.

The differentiation of rates in different localities arises, as Mr. Folger says, under four heads or topics. But it has occurred to me for a long time how deficient we are upon the question of rating a risk in its application more especially to climatic conditions; where, after a fire has once gotten its headway, and gains in its force and onslaught, we lose sight of the power of the radiation of heat. That has, necessarily, a very important bearing upon the rate in different localities, taking, as an illustration the San Joaquin Valley and the northwest coast of California, both of which localities may be rated under the same tariff book, and yet, the exposure charge being the same, the rates are necessarily too much in one place, or too small in another. Any manager or special agent who has been in the San Joaquin Valley and watched the progress of a fire during the summer months, must at once have been impressed with the fact that the climatic conditions there affecting the atmosphere have a most potent and powerful effect upon the progress of that fire, and its movement toward other property, whether adjacent or detached. Therefore the special agent should give great care in the consideration of his approval of rates, and not hesitate to make recommendations to his office, which recommendations, if proper and in good form and judgment, may be submitted to the Board; and this may be especially true in

the watching of fires in their progress. I have been surprised many times to watch the progress of a fire right here in San Francisco, or in Butte, Montana, where climatic conditions, as we have them fixed in our minds, were operating for or against a fire, and have ended in a result in a direct deflection from the usual course. These, of course, are possible instances; but how much do they figure in the conflagrations of our business? How much do they modify our loss account? And how often could such notations be made and sent to the office, and the experience of watching that fire go to the rate making power? The particular localities that I speak of are factors that have engaged my attention a number of times; and while it is true that we cannot formulate a rating that is going to be so accurate as to take all those things into consideration by reason of a sparsely settled country, yet we can prepare ourselves for the reaching out and up to that point of reasonable perfection of rating, whereby, when the time comes that our State is as thickly inhabited as the State of New York, for instance, we will not then be unacquainted with these vital factors which go into the loss or expense account, on the loss side of the ledger. The special agent unquestionably should, as Mr. Folger says, discuss the subject more thoroughly with his confreres. I think this may be largely true in the Northwest, where the specials are more of a unit than they are in other parts of the field, especially in California. I think they may follow out the suggestion much better there. The companies themselves, having sometimes made a specialty of a certain class, are loth to give their information as to that class. As Mr. Folger well says, that is a foolish proposition. It is penny wise and pound foolish. Because what we may have is the result of personal experience; and what another man may have is the result of his own personal experience; and the same is true of still another man, who may have an experience upon a class which we are trying to enter upon. It is the amalgamation of the experience of all, and reaching out to perfection in all those things, that will enable us to reach a place that will be in conformity to the risk, and at the same time more or less of a blessing to the assured, whom we find every day we have got to placate, and whose antagonism we have got to meet and overcome.

Mr. Gibbons—Mr. President: There has been a great deal said about what the special agent should do in assisting in making these rates, and I think Mr. Thornton was quite sound in his statement. It is seen from Mr. Folger's paper that the experience of five years has been tabulated, the experience of all the companies, and the assistance of an expert statistician has been used in getting these statistics together; and the final point reached is that the figures arrived at are unreliable. A special agent has absolutely and positively no chance of finding out whether the premiums are paying the losses or not, without reference to the head office; and furthermore, his experience is so limited that it can have but little bearing, except in one portion of the field; it seems to me that the only way he could be of assistance at all would be to have these statistics and results sent him so that he can analyze them, and find wherein the loss ratio lay. That necessarily comes within his experience, of course, as inspector. Give him those figures and a few of the details, and I think he could give some intelligent opinion as to the rates. Otherwise I do not see how he could.

Mr. Maris—The gentleman spoke of the stamp clerk, I noticed. Some ten years ago, when I used to be in Pennsylvania, the stamp clerks, as I will explain, were not like Mr. Mackenzie, or any of those gentlemen. But when the rates were made for a certain town or a certain county, the book containing those rates was placed in the hands of the stamp clerk, possibly a bank clerk, possibly a young lawyer, in this town or in this county, not an insurance man in any sense of the word; but every report coming from that county went through that same practice in the District of Columbia, Maryland, Delaware, part of New Jersey and West Virginia. As far as the special agent's familiarity with the rate was concerned, I remember very well that we used to have a meeting once a month, and every county was in charge of a committee of three special agents. One of them was the chairman, and he was the man who really had charge of the ratings, assisted by the other two; and every class of special hazard was in the charge of the committee of special agents, each of these committees having a chairman, and they made the

rates. These rates were made by us special agents on schedules furnished to us. I had really received my education, you may say, here on the Coast, although I graduated from a Philadelphia office before I came out here originally. But, going back from the Coast with our system of rates, it used to seem to me very peculiar at first to go up and make those rates. I really did not know upon what those rates were based, and, as I have said to Mr. Folger several times, and we have talked it over before, I do not really believe that the special agent can make any more than a good honest guess as to what the rate should be, outside of some line of business like special hazards. But you take the ordinary dwelling house, and Mr. Folger has illustrated as to dwellings. I cannot, for the life of me, believe that any of the special agents can go and look at a dwelling house, as Mr. Osborn suggests, in Tulare, or Fresno, or in Mendocino city or anywhere along the Coast, and say, knowing the rates at Mendocino and at Tulare, "Well, that rate down in Tulare is so and so, and here is a rate of ten cents higher; I guess that is all right." He says this on general principles. But I do not really believe that the value of the opinion of a special agent on an ordinary risk, outside of special hazards, like planing mills, is of any value; and I do not believe that we ought to be asked, if we have a rate made by the Board and by the machinery that Mr. Folger has talked to us about,—I do not really think a special agent should be asked for it, and I do not believe, when he does answer the question, it is of any particular value to his office.

Mr. Folger—That is what I wanted to bring out. I hesitate to say very much, after having occupied more of your time by ten minutes than I had planned to do, upon this question. But at the same time it is fair to answer the question, "What can a special agent specifically do?" Some one said truly that managers have not as much time as special agents on the ground to go into certain details which are vital. Take as the first instance the relation of insurance to value. I recall the loss of the Mitchell, Lewis & Staver Co. in Seattle, an agricultural implement stock upon which the insurance companies were called upon to pay nearly 100% of the insurance; not because nearly 100% of the

stock was destroyed, but because the firm were carrying but 60% or less insurance. The incident had a great effect upon that particular class; and the loss running over \$65,000 in one year was a very heavy charge to the group which includes the city of Seattle. In the case of the Lipman, Wolfe & Company loss, in Portland, the insurance, if I recollect rightly, was about 105% of the value, and the ratio of loss to insurance was, therefore, far less. These are conspicuous instances. They occur every day.

Again, it is feasible for a special agent in Seattle, at the end of a year to sum up the result in that city. Our special agent sent us a statement that the losses in Seattle last year had been \$246,000, which I take it is somewhat less than 50% of the premium income. He and other special agents could have told where that loss came from principally, what classes were most affected, and what particular effects observed in the losses had a bearing upon the rates. In the case of the Moses Block, for example, the loss on the building in the first place was a few hundred dollars, while the loss on contents was between \$50,000 and \$60,000. A fire occurred in the same building in August of last year, and the loss on the building amounted to \$3,000, and the loss on the contents was again very large. This feature of the relation of the loss on contents to loss on buildings has been brought up from year to year for a long time, and it will probably never be dealt with until some intelligent body of men can reach a fair conclusion of what should be done with the schedule. If you have a hazardous stock, subject to considerable damage, the question arises, Is the rate on the stock adequate as compared to the rate on the building? If not, and if you have a large number of examples from which the same result is obtained, you have the right and duty to recommend to your managers that a change should be made.

The schedule is not perfect by long odds. The point raised by Mr. Maris that a special agent cannot always be certain of the adequacy of an individual dwelling rate, is well taken. But Mr. Maris will admit that if we have a row of five frame dwellings, in a city, on which the tariff rate would be say \$1.60 per annum, under Book No. 2 and Book

No. 3, it is fair to consider whether \$1 of that is a fair proportion for the exposure hazard and 60 cents for the inherent hazard, after considering the size of mains in the vicinity, proximity to hydrants, etc. If your experience shows that these are not fairly apportioned, is the rating system correct? If not, how should it be modified?

Those are some of the questions that I proposed to get before you as individuals, and on which you may pass. Nothing would delight the committees having charge of ratings in San Francisco more than to receive intelligent suggestions of exactly the kind suggested from field men.

Mr. Sexton—I do not have anything to do with rates, but I was a special agent once, and, referring to the Staver & Walker loss, where the loss was large because the insurance was small, there is not a special agent present here, or one who has been on the road since my time, who has not, when he has had a loss in a case like that, had to complain to the head office of that endorsement "Other concurrent insurance permitted." The special may examine a risk from morning until night, and go through the stock, and write home that the party is carrying \$5,000 on \$6,000 worth of stock—that will do. But he will find when the loss comes that the amount is too little or too large, and nearly every special has recommended, as I did, for myself, that the policy be written with a certain amount of concurrent insurance permitted. Then when the special examined the rate he would know exactly with what he was dealing. When I got on the committee of the Board, I started to amend that, the first thing, by suggesting that they limit the amount of insurance on the stock so that when the special examined the risk, he would know how much insurance there was upon it. The result was that I was "sat down on," and I haven't got up since.

Mr. Spencer—I think almost every special on the road has worried with this proposition, and some of them a very great deal, and tried to bring about improvements, in case the managers fixed the rates, but I think a great educator in the way of rates would be a good big loss right along for three or four years. Ordinarily, the managers on the Pacific Coast have been fortunate enough to wind up the year with a

pretty favorable loss ratio, and when they get through, they say, "Well, here were a great many risks that we ought not to have had, but after all, it is all right; we have come out in pretty good shape, and we have got a fairly good contingent coming to us, and I guess we won't bother with the rate proposition. It is an immense amount of trouble, and it is hard work to get all the men to agree." I think if the companies had a 60 or 65 per cent loss ratio for three or four years, Mr. Folger's very admirable recommendation would probably be carried out.

The President—I am sorry to say that time presses. Before leaving this subject, I would like to remark, however, that I think there is danger in dealing with one duty of an officer, such as this that Mr. Folger describes, of losing the perspective. I think, after all, the main purpose we all of us have in having the special agent, is for the purpose of efficient co-operation with the Board. A vicious practice among a certain class of special agents, or amongst certain special agents, perhaps more accurately, has been that of currying favor of local agents, by cussing the Board; which is equivalent to finding fault with their own Board, because the Board are their servants, and they are not willing to take up the cudgels in behalf of Board rates. They should be equipped so that they can talk intelligently about those things. Mr. Folger does not say for a moment that any special agent can be in the same position of vantage with reference to rates as the man who make it his business to fix them, and is assumed to have all the statistics and results of experience at hand, and who makes a business of analyzing those results. But he does say, as I understand him, and says very truly, that the special agent should employ himself in an effort to gain an intelligent understanding of the various points and elements of rating, so that he can supply the Board, because the Board is his, or if not his company's, with information. We can spare a little time if there are some other remarks to be made upon the subject.

Mr. Thornton—What steps can be taken in order to get the information into the hands of the special agent, as to the matter of statistics and so on?

Mr. Folger—A special agent, may on application to his manager—and the application should always go through his office—secure a copy of the schedule. I have not studied the whole of it carefully myself. I suppose there are not five men in the room who have done so. That is one of the faults of our plan of doing business, and I wished to emphasize it in reading the Paper. But the schedule is yours, with the understanding that no man ought to criticise what he has not studied. As to the statistics, Mr. Thornton will bear in mind the fact that they are very incomplete, and secondly, likely to be misleading. They have not been given to the companies at all as yet; and manifestly cannot be given out generally. In other words, we could not send statistics to special agents until they have first been gone over by statisticians, and secondly by competent members of the Board, and carefully analyzed.

The President—We will now go to the next number of the programme. It is a Paper by Mr. William Maris, upon the subject, Manufacturers Cost of Replacement. Mr. Maris.

Mr. Maris—Mr. President and gentlemen: I did not intend to apologize when I came here, but after hearing what Mr. Folger has said about the technical treatment of subjects presented it seems almost necessary to do so. I have not treated this subject as technically as it might be but trust the result of the Paper may have some little bearing on the future. In all the losses that we have on manufacturing establishments, I find that we are divided into groups. Sometimes we will be on a loss with three or four companies, then we take one stand. The next time we are on a loss with three or four other companies, and we take another position. And really, an adjuster does not know just exactly what to do, if he happens to ask for instructions and gets them for both groups at different times. He generally does not know what is right. But, if the suggestions made by me will bring out any discussion, and I trust it will, I hope we will be able to arrive at some conclusion that will be of value to our business.

MANUFACTURERS COST OF REPLACEMENT.

WILLIAM MARIS.

On what basis shall we pay the manufacturer for his loss of stock? The question is an important one and its answer should be clear and unequivocal, for while it is perfectly true that the individuality of claimants necessitates different methods of approach it is equally certain that some one general plan should invariably be followed in the settlement of similar losses. We owe this to our policyholders as well as to ourselves, for we both benefit by a positive knowledge of what procedure to expect in case of maturity of the contract by reason of fire.

The policy provides two measures of damage—cash value and cost of replacement. The familiar language of the New York Standard Form, which is in general use on the Pacific Coast, is: "This company shall not be liable beyond the actual cash value of the property at the time any loss or damage occurs, and the loss or damage shall be ascertained or estimated according to such actual value, with proper deduction for depreciation, however caused, and shall in no event exceed what it would then cost the insured to repair or replace the same with material of like kind and quality. It shall be optional, however, with this company to repair, rebuild, or replace the property lost or damaged with other of like kind and quality." Cash value, as a measure of damage, is qualified by the provision as to depreciation, but this, while in itself important, has no relation to the present subject under discussion, nor is it necessary to here consider the option of the company to replace.

Cash value is generally accepted to mean market value, but whether that means the price the article will bring to the owner or its cost in purchase by him it is unnecessary here to discuss because the manufacturer being the fountain head of supply must pay to other manufacturers, if he would purchase their finished products, the same figure for which he would be willing to sell similar goods—so that cash value in the case of the manufacturer really means his selling price. We therefore find ourselves, in adjusting stock losses to manufacturers, wedged in between selling price and cost of replacement,

It cannot be denied that our clear intent is to reimburse the assured only to the extent of the cost to him to replace the property destroyed, provided that cost is less than market value. Should it happen that such cost of replacement exceeds market value then the latter becomes the measure of damage. This the policy very clearly expresses and the courts have properly held. (*Commonwealth Ins. Co. vs. Sennett*, 37 Penna. St., 205.) In all healthy lines of business, however, market

value exceeds cost, and we will consider that our manufacturer is conducting his business in a profitable manner. That brings us to the consideration of what constitutes cost of replacement. If cost of replacement means purchase of the stock complete and ready for sale, we again arrive at market value and the argument is ended. The policy clause under discussion, however, provides separately and distinctly that the company has a right only, and not a duty to perform, in actual replacement of the property; first and foremost it sets forth a measure of damage, a plan whereby a cash reimbursement may be calculated. To pay the insured on a basis of what he could sell for is obviously far from our intention. Under any circumstances whatever it is manifestly averse to the true principles of insurance for a company to settle with the claimant for his stock at the figure at which he would in the ordinary course of business dispose of it—because included in the selling price is not only profit, but cost of selling, which must not be confounded with cost of production.

May says (May on Ins. p. 2): "Indemnity is the fundamental principle which lies at the basis of a contract, and it can never, without violation to its essence and spirit, justly be made by the assured, a source of profit." Ostrander tells us (Ostrander on Fire Insurance, p. 182): "There are certain underlying principles, which if kept in mind, will materially aid the courts in a satisfactory settlement of many difficult questions. One of the most important of these, and one of the most general application in the adjustment of claims is that indemnity does not contemplate an unrealized profit." Griswold informs us (Griswold's Fire Underwriters' Text Book, p. 265): "Insurance upon expected profits is not covered by simple insurance upon the goods from which they are expected to arise. The profits expected must be specifically named, and a subject of the insurance, with an agreed percentage upon the sale price." And again (Ibid, p. 694): "one having an insurable interest in a property, may insure also the prospective earnings or profits likely to grow out of that property, but these interests must be covered specifically as such and usually at a valuation." Each of these writers quotes ample, respectable authorities to substantiate his views. Profit therefore should certainly be eliminated in calculating the loss of the claimant and it is obviously in accordance with the spirit of the contract to deduct cost of selling. After the article is finished and ready for the market the interest on the capital invested becomes a charge against the sale, as does also cost of storage until delivery to the purchaser; in addition there are numerous necessary disbursements such as advertising

office and salesmen's salaries and expenses as well as a percentage to care for average loss of book accounts. Then if we take the market or selling price of the manufacturers' stock and work back—deducting these selling expenses and the ascertained profit we would arrive at the true loss to the assured which would be exactly the cost of replacement, and we would be, in the true spirit of the scheme of reimbursement, paying all the claimant had suffered by reason of the fire. It is noteworthy that in arguments on this subject with some of our best local authorities, while they absolutely decline to admit cost of replacement as a measure of manufacturers' damage they agree that the correct result is obtained by the "working back" method outlined. The effect is precisely the same in the use of either way of figuring, though it is apparent that following the replacement idea is the more direct plan and more truly in conformity with policy conditions.

What constitutes cost of replacement? It is very clear that first we must pay for raw material, then for the labor necessary to complete it, and third for the use of the plant required in the process. Griswold says (Text Book, p. 1695): "For manufactured goods in the hands of the manufacturer the cost of production at the time of the fire, exclusive of profits, the value of the raw material, with the addition of the cost of converting into manufactured articles, without any addition for interest on capital employed either in plant or machinery is the cost of production." The "cost of converting" certainly means not only labor but wear and tear on building and machinery used in the process, and covers the whole cost other than that of raw material and interest on the investment. As much as I dislike to quarrel with acknowledged authorities I cannot help but believe that Griswold is wrong in excluding interest on the capital employed. If the plant were rented certainly the rent paid would become a charge against cost of manufacture. It is quite true that no allowance is made to merchants for rent or interest—but that is because the stock is paid for by the company as delivered on the floor of the store ready for sale. The cost to the manufacturer is different. The process of converting raw material into finished product requires time, and therefore an appreciable term of investment of capital must be taken into consideration. It goes somewhere—where else than into the cost of production.

There is one other element sometimes overlooked in the estimation of manufacturer's cost, and that is the by-product. The by-product is ordinarily something made from material useless in the main production, and its selling price is usually less than its cost would be were it the

sole result of the process. If we always found the ratio between the quantity of by-product and quantity of the principal stock to be that in which they are produced the problem presented would be simple—generally, however, one or the other, and usually the by-product, is in excess. Unquestionably the by-product reduces the cost of manufacture of the rest of the goods. In order to get an equitable figure the by-product, if worth less than cost, should be paid for at market value—and there should be credited to the cost of the main line of goods the market value of the proportion of by-product produced during the process of manufacturing the quantity of the main line of goods ascertained to be on hand at the time of the fire.

We have now mentioned all the constituents of the price at which the manufacturer sells his product. Enumerated they are: Cost of raw material, cost of labor, wear and tear on building and machinery, interest on capital invested, profit and cost of selling. The manufacturer who desires full protection would carry insurance on his buildings, machinery, stock and profits. Under these various items the insurance companies would pay for the plant itself, the raw material, labor, wear and tear on machinery, interest on capital invested and profit. The goods not having been sold there would be no selling expense on them; hence the insured would be completely indemnified by the companies for his actual loss.

The consumer's loss by fire is estimated on the cost to him of the property destroyed; likewise the retailer's and wholesaler's, why should we make an exception in the case of the manufacturer? To this question the only answer is that after a fire the manufacturer is not in a position to immediately replace, and therefore cash value is the only measure of damage left. It seems to me that the conditions of the policy are misunderstood. Do we contract to immediately restore the damaged property? Certainly not—to be sure the policy says: "What it would then cost to replace." "Then" of course refers to the phrase, "at the time of the fire." The policy does not say that the property must be replaced immediately after the fire, nor does it say the property must be replaced at all; but in providing a measure of damage, states the time at which that measure is to be taken—"at the time of the fire." There is no room for doubt but that the framers of the New York Standard Form had in mind cost of replacement under normal conditions, the day and hour the fire occurred. The expression used being a concise way of stating that the measure of damage is what the property was costing the assured to produce at the time the fire commenced. The fact that the

factory or mill was destroyed at the same time, or that all available raw material was wiped out of existence, would not affect the actual cost to the assured of the stock. Any damage sustained by reason of the destruction of the plant or of lack of raw material would be in the nature of a consequential damage and as such would not be a legitimate claim against the insurers. In case of destruction of the plant itself there must certainly ensue a delay in operation until it is rebuilt. That must be conceded, but is the manufacturer entitled to any more consideration than the owner of a building destroyed by fire? Our large city structures require a year to complete, at a moderate estimate, and in case of destruction by fire it would take the same time to rebuild. The same form of policy is issued to the building owner and the manufacturer—the same clause—as to replacement and cash value as a measure of damage applies to each; yet while it is impossible to immediately replace the building, we do not add to its cost of replacement under normal conditions an addition to cover the rent which would have been collected had the building not burned. Yet some appear to think that the owner of the factory stock must be paid not only what his goods cost him but also a profit, larger than he usually makes, simply because it is impossible for him to immediately replace the property destroyed.

Some of our fraternity contend that there is in a completed product in the possession of its maker an accrued profit, actually realized before the article is sold. Yet under a policy issued to a merchant, the same policy form as is given the manufacturer, goods sold but not delivered, under the commission clause, are invariably paid for on the same basis as the rest of the stock. This is true even when the goods sold have been actually paid for by the purchaser. Where is there a clearer case of accrued or realized profit? The goods have been disposed of, money for them received, profit perhaps even spent by the merchant, yet in case of their being destroyed before being removed, the purchaser returns for his money and collects all he has paid, the insurer settles with the merchant on the basis of cost only and the merchant must refund the profit out of his pocket; yet the merchant looks in vain along our ranks for a champion similar to one who takes the part of the manufacturer.

One of the strongest arguments advanced in favor of paying the maker market price for his goods is the one used where the plant itself is destroyed together with available raw material. Here is a case where it is claimed that as it is impossible for the goods to be reproduced that cost of replacement is not to be considered at all as a measure of damage.

Turning again to the merchant let us suppose that just before the holiday season the Emporium should have its stock of Christmas goods ruined by fire. Wholesale stores at that time having sold to the trade that season's line are practically denuded of stock of the character wanted to replace the burned property. Replacement is not however impossible, for at retail price the same lines of goods can be purchased from the White House and other retail stores; yet a suggestion from the proprietors of the Emporium to settle such a loss on a retail basis would certainly not be entertained by the insurers. It would be insisted that the loss be adjusted on what the Emporium paid to buy the goods and place them on their shelves under normal circumstances. Yet the Emporium would suffer by such a fire an irreparable injury in one way, for unless they carried profit insurance, they would lose their profit on the season's sale and they never could regain what they would lose, for by the time they could by purchase from wholesalers in the East, replenish their stock, the season would have passed and with it the possibility of sale and consequent profit. This is exactly analagous to the manufacturer who loses all his raw material and who cannot buy more at that exact location with economy, or at that particular time. But why pay the manufacturer all that he could have sold his goods for and not treat the merchant in the same manner.

The use of the word normal seems to me to bring this subject nearer to the understanding. It is normal market value—normal cost of replacement under normal circumstances—that is the real measures of damage, and in every case with the exception of that of the manufacturer there is not heard a dissenting voice when this adjustment along strictly normal lines is suggested. Yet I will admit there is one other case beside that of the manufacturer that is apparently treated from a standpoint tending away from the normal as I have used the word. That is the case of the grain and hay of the farmer. It is true that the common custom is to pay losses on hay and grain on the basis of the price the commodities will bring if sold instead of burned. It cannot be denied that the farmer is neither merchant nor manufacturer and his is a case calling for different treatment than is accorded to either of the others—and for logical reasons. Grain or hay in warehouse is always salable in practically any quantity at the market quotation; there is no expense of selling—it is deliverable simply by the passing of the warehouse receipt—no advertising—no salesmen—no clerical force—only warehouse charges which are practically a lien on the property, and which enter into the cost at the warehouse as much as does the team-

ing necessary to place it there. The transaction of sale is strictly cash—no waiting for the money—no uncertainty—no risk. There is, however, a profit—but if there is such a thing as an accrued profit it is in the farmers' hay and grain. Yet it seems to me that the same argument as to replacement might hold good even in this case. The precedent of settling hay and grain losses on market quotations dates back so far that where and when it was established cannot be learned. That to a certain extent, at least, the present practice is wrong in principle is shown by the addition of the three-quarters clause to policies covering hay which is a step in the right direction. With the exception of this limit of three-fourths in the case of hay it is always conceded on the Coast that farm products are to be paid for by insurers at full market value, less only cost of transportation to point of quotation. This is so firmly established that the principle is invariably followed in adjustments; the farmer expects it and the companies are satisfied with it—so the intention of both parties to the contract is carried out. In the case of the manufacturer, however, I firmly believe that our expressed intention is not to pay market value, but normal cost of replacement—or perhaps actual cost of reproduction—as some of the old forms of policies had it. Under such a form the Michigan Supreme Court ruled (*Chippewa Lumber Co. vs. Phoenix Ins. Co.* Apr. 11, 1890, 80 Mich. 117, 44 Am. Rep. 1057) the measure of damages fixed by the parties in this contract was not to exceed the actual cost of producing the lumber destroyed. This was not the market, but cash value. The (lower) court therefore adopted a standard of value in direct conflict with the agreement of the parties. On this point there can be no room for doubt. There is no difficulty in making the computation. If plaintiffs bought the logs, the measure of damages would be the price paid with interest from date of purchase, and cost of manufacturing and storing. If it purchased stumpage, the measure of damages would be the price of the stumpage with interest and other costs added. If it owned the land from which the logs were cut, the measure would be the fair value of the stumpage with the other costs added and the interest."

A few years later in the Michigan Supreme Court another decision was rendered under Michigan standard form of policy in which appears the same clause as that in the New York standard form, providing for ascertainment of loss according to cash value or cost of replacement. The court said (*Mitchell vs. St. Paul-German Fire Ins. Co.*, 92 Mich. 594, 52 N. W. Rep. 1017): "It appeared that plaintiffs manufactured the lumber covered by the policy and it was destroyed by fire; that they

owned a large quantity of standing pine timber from which sufficient lumber could be manufactured to replace that destroyed; that they continued to operate their mill after the loss occurred; that the actual cost to them to reproduce and replace the lumber would be \$3.65 per M. ft. less than the actual cash value in the yards. Held, that the proper measure of damage was the actual cash value at the time of the loss, and not the cost of manufacturing, at their own mill, a like quantity of lumber from their own timber."

The Texas Supreme Court has held (*Hartford Fire Ins. Co. vs. Cannon*, Court of Civil Appeals, Texas, June 15, 1898, 46 S. W. Rep. 852) that "the amount for which an insurance company is liable because of loss of goods while owned by the manufacturer is based upon the market price when and where destroyed, regardless of what it would actually cost the manufacturer to reproduce them." The most recent decision on the subject is that of the Supreme Court of the State of Pennsylvania, (*Standard Sewing Machine Co. vs. Royal Ins. Co.*, March 3, 1902): "It is evident that in this ruling as to measure of damage, the learned judge did not properly construe this provision of the contract between the parties. The plaintiff was the assured and was the manufacturer of these machines. Under the clause of the policy just quoted, the loss could in no event exceed what it would then cost the assured to repair or replace the same with material of like kind and quality. The court failed to give due weight to this provision of the policy. The actual cash value of the property at the time of the fire was the measure of damage, but it could not exceed what it would cost the assured to replace it. This would exclude the market value of the property as the measure of damage, and would permit the plaintiff to recover only what it would cost him, the assured who was the manufacturer, to replace it. The language of the policy is plain and unambiguous, and the court should have interpreted it and given the jury the measure of damages suggested."

In the first of these Michigan lumber cases, the court took exactly the same view of the case as the writer, and I am under the impression that even if the word "replace" had been used in the policy, instead of "reproduce," the decision would have been the same. In the second Michigan decision, the court absolutely ignored the question of cost of replacement, and in reply to this, I can only point to the Pennsylvania decision, in which it is very clearly set forth that the cost of replacement is as clearly a measure of damage as market value, and that whichever of these two is the least, that is the one to be used in the ascertainment

of the amount of the loss. It has been very properly held (*Commonwealth Ins. Co. vs. Sennett*, 37 Penn. St. 205) that the market or cash value is the measure of damage when it is less than the cost of replacement. This is in strict conformity with my idea of the policy contract.

Even though it is admitted that there is a wide diversity between loss adjustments in manufacturers' stocks, we can adhere strictly to the general principle that where the raw material is quoted in the market and the price of labor is ascertainable, adding these two to the charge for the use of the plant, the cost of production is the cost of replacement at the time of the fire. This is so thoroughly established that there are few if any dissensions where the raw material can be readily purchased. It is only in cases where there is some peculiarity in the method of obtaining the raw material that discussions arise. The lumbering plant presents more peculiarities as to supply of raw material than any other class of risk. This being at the present time of the greatest interest to many of us and combining all the elements that could possibly enter into any other class of manufacture, a discussion of the loss by fire in a lumber yard can meet all the requirements of this Paper. The cost of labor is very readily ascertained at any time, and is not usually in losses of this character, of particular importance. From my own point of view we should make allowance for the use of the plant and that is easily arrived at, and is seldom, if ever, a serious question. The whole discussion resolves itself into the possibility of obtaining the raw material and the possibility of utilizing it by means of the plant in converting it into lumber. The first thought that presents itself is the difference between the case where a mill burns and another where the mill is not destroyed, whether in the first case the assured is entitled to cash value because it is claimed he cannot then replace the lumber. The word "then" in a policy undoubtedly refers to the time of fire, and there should not enter into the discussion any quibble as to the exact moment meant by the latter expression. I believe that the intention of the framers of the standard form of policy was, as well as our own intention is, that the assured should be reimbursed on the basis of the cost of replacement under normal circumstances at a time immediately preceding that of the fire. It is impossible, as I have before claimed, to reinstate the lumber destroyed unless we invoke the aid of Aladdin's Lamp or some other wonderful process, and I believe that the intention is simply to pay the assured such a sum as would enable him within a reasonable time to replace his destroyed property under conditions existing at the time of the fire.

A great deal of argument is hinged on this question of time and yet those who take the view that immediate reinstatement is necessary, overlook many analagous cases in the adjustment of losses to other property. For instance, in the course of a year, we have large buildings destroyed which require months to replace, yet no one ever contends that the assured is entitled to any more than the cost of replacement even in the case of an absolutely new structure. In the case of the Gas Works which recently suffered loss the assured considered it necessary in order to accommodate its customers, to go to extraordinary expense so as to replace the damaged structure at as early a date as possible, yet the insurance loss was settled on the basis of the normal cost which was considerably below the figure actually paid by the assured for repairs.

As we only contract to pay all direct loss or damage, the loss of a mill and the consequent delay in the manufacturing process until the plant is completed and again ready for work, is in the nature of a consequential damage so far as the stock is concerned and can under no circumstances be considered part of a loss to the insurance company. Yet if we admit that where the mill is burned, the loss on the lumber in the yard is greater than where the mill is not burned, we load the loss with this consequential damage.

There is another illustration of this question of time which frequently arises, and that is in the case of a building where the materials have to be hauled a great distance and a fire occurs during the early part of the winter. If such a loss is in the mountains where snow and mud increase the cost of teaming to an enormous expense over the ordinary charges in summer, no adjuster would think of paying on the basis of the excessive winter cost of hauling. It is perfectly possible to rebuild in winter and if the word "then" was interpreted as in lumber yard losses the cost of replacement would be enormous, and there is no question but that the cash value would rise with the cost of replacement, for the utility of the building during the winter months might be such as to fully pay its owner for the additional expense of immediate replacement.

The difference between the cases where the assured can or can not purchase stumpage in addition to that already possessed by him, is also brought up for frequent argument, but the difference seems to me more in words than in fact. Granting that the assured is not able to purchase any additional land covered with timber in the event of a fire sweeping through his yard, he loses his cost of production and his profit. It is this profit which always looms up as the bone of contention.

Supposing he did own a comparatively limited area and the adjuster pointed out to him he could purchase adjoining acreage, he might contend that he would in the ordinary course of events have purchased that, even had he had no fire, and so on with each succeeding section, and this could be carried on to infinity.

The question of the purchase of additional property has nothing whatever to do with the measure of damage which is stated so specifically as being what it would cost the assured to replace. If we admitted that we were paying the assured for his market value, and bought lumber similar to that he had had on hand, placing it in his yard, he would sell it in due course of time and would realize a profit paid by the insurance company. The loss of this profit is defended by many of our underwriters upon the ground that the contract contemplates replacement, but replacement is merely a measure of damage.

Citation of examples showing the difference between the treatment accorded manufacturers and merchants in loss settlements could be prolonged indefinitely—but those noted are sufficient to prove that there is a difference. This difference to my mind is not one of contract which seems clear enough. Let us remember just a few vital points. It is the person, firm or corporation we insure—not the property. Fire waste cannot be restored by human agency. What the world loses in value by fire cannot be reinstated, neither can the assured have given back to him the property he has lost, but we can reimburse him, and the course to pursue in so doing is clearly defined in the policy; let us adhere to that course and treat all our claimants alike—be they consumers, merchants or manufacturers—pay them on the basis of market value or of cost of replacement—whichever is least—that is the limit unambiguously declared in the contract.

The special clauses qualifying measure of damage which are attached to some of the forms of larger insurers are virtual admissions of the part of their framers that the position I take is the correct one according to the policy. Those clauses are matters of choice with individual insurers as to acceptance or rejection. Another way of changing the real intention of the policy is the local corporation owned by the general company. We have had experiences in the latter not altogether pleasant, but these and all other cases can be met if we only insist on the policy saying what we mean. If the printed conditions are not sufficient to express our intention let us add to them a clause making beyond all dispute cost of replacement—what it should be the cost of production as of a time immediately before the fire.

[Applause.]

Mr. Spencer—I think almost every adjuster on the Coast will agree absolutely with Mr. Maris in what he says and in his conclusions. But, unfortunately, the courts do not agree with us, and that is the sticking point in this class of cases. Mr. Maris has strongly said, only he did not bring it out quite as forcibly as I would have liked to have it done, that we should make the contract so that it will be unambiguous. If the companies will say in their contract that the cost of production will be the basis of settlement in the case of loss, every adjuster can settle a loss without any trouble, or if they will say not to exceed the cost of production, then the adjusters have a simple contract to interpret. But if it is the construction of the contract as now in the printed conditions we have got to struggle with, trouble will ensue with the manufacturers. Ever since the Michigan decision was rendered, the manufacturers have held that they were entitled to the market value. And the courts have always said that wherever there is any ambiguity or wherever reasonable men may differ as to the meaning of words in an insurance contract, it must be construed in favor of the insured, and there is a line of decisions to that effect as long as your arm. The Michigan decision has construed the policy to mean what it shall then cost to get the product in the market, and not what it cost the manufacturer to produce his product. That was a lumber case. The case referred to by Mr. Maris was the case of manufactured bags. The manufacturer had a stock of bags burned, I think in Galveston, Texas. The court there referred to the Michigan decision, and said it expressed their views absolutely, and that the market price of the product at the time of the fire would be the measure of damage. There is a case in North Carolina which did not go to the supreme court, a tobacco case, decided by the superior court, where they made the same decision. The trouble in matters of this kind is that we have got to confront that class of decisions. The Standard Sewing Machine Co. case, in Pennsylvania, the decision of which I have read, seems to have been largely taken to the Supreme Court on some other issue than this question of cost of production; where it was very distinctly stated, it seemed to me, that it was rather a collateral issue, and I came to the conclusion that it was not very strongly argued by the attorneys for the plaintiff in that case. I hope

that this Association will recommend to the Board of Underwriters, or to the managers, through the special agents, or the managers themselves, to adopt a form which will state clearly what they mean; they adopt this theory in the case of the Alaska Packer's Association. There they say that they will pay market price, and wherever that association has a loss, there is no question as to what shall be the measure of damage; it is absolutely settled. In the case of other manufacturers on the Coast, especially lumber, that seems to be a sticking point most of the time. The lumber men claim they stand in the position of the farmer, that their lumber is just as much cash as hay and grain and is as readily disposed of. Whatever the market price is they are entitled to, less the immediate cost of selling. I think, as Mr. Maris suggested, not quite as strongly as I would liked to have him, as I have said, that if the companies will make the form read that in the event of a loss, the insured will be paid not to exceed the cost of production, we will have very much less trouble.

Mr. A. W. Thornton--Mr. President: I heartily agree with Mr. Maris in every argument he has advanced in his Paper. The cost of production is the proper measure of indemnity on manufactured articles; to pay the market price is to pay a prospective gross profit. If the courts do not agree that the language of the policy means the cost of production on manufactured goods in the hands of the producer, then we should change our contract by the adoption of a form that will clearly express our intention. Some years ago when the courts decided that the insurance on a dwelling house covered also the contents where the agent failed to insert anything before the wording of the second item, companies and managers took quick action in notifying agents to carefully write "Nil" or "nothing" before the items on which no insurance was desired. Why are we not equally as prompt in protecting ourselves in the matter of manufactured goods where the decisions of the courts do not agree with our intentions? Steps should certainly be taken looking to uniform action in this matter. Mr. Maris has referred to the cost of production being the cost of the raw material plus the labor and expense of making. The ques-

tion has arisen as to what is the cost of the raw material. Is it market price or the cost of obtaining the same? In such stocks as lumber and shingles it would seem to be right to start with the market price, and to this add all expenses connected with the manufacture. The logging industry is usually separate from the manufacturing industry. By accepting the market price of the raw material we have a common starting point which enables us to arrive at the proper basis of indemnity. What difference is it to us if a mill man has stolen the timber land, or has paid too much for it? A short time ago a lumberman acknowledged to me that he had practically stolen ten thousand acres of good timber land. In figuring his loss on lumber or shingles we could not claim that his logs cost him only the cutting and hauling. The market price of logs at the mill seems to be the proper starting point in obtaining manufacturers' cost.

Mr. J. C. Cunningham—It occurs to me, Mr. President, that it is possible for a distinction to be made between the point that Mr. Thornton has made and that made by Mr. Maris. I have a case in mind. We will suppose the manufacturer owns the timber land, produces the lumber and piles it in the yard. Now, it is worth, as it is piled in the yard, several times more than the cost of the cutting of the logs, the hauling, the skidding, sawing, planing and drying and all that. It is worth a good deal more than that in the yard, it is worth more than that to the men who want it—more than the lumber in the trees. There is more difficulty than you might first imagine in finding out the cost thereof. That manufacturer could tell you probably, what he bought the land for, and he can cite to any adjuster and say, "I sold some quantity of this lumber in the yard for so much." Yet the adjuster could say, "It costs you so much to cut it, skid it, haul it, saw it, and put it through the mill, and you can buy logs standing for so much, and that is what I ought to give you." He says in reply, "No, I sold it on the ground for so much." As I say, I have had some personal experience that clearly indicates to me a distinction there. I had a case where I had some interest in a matter of the kind. The lumber was worth a

great deal more piled in front of the mill than it was worth to the manufacturer in the shape of standing timber. I do not see how you can get at what the value of that lumber is by taking what it was worth on the stump. It seems to me that a better way would be to see what the same lumber is worth on the same spot. It should be arrived at in that way, and I think that would be a fairer measure of damages.

Mr. Maris—That includes the profit, though.

Mr. Cunningham—There is no profit in that.

Mr. Maris—Why not?

Mr. Cunningham—Because I had taken my own timber, paid for the cost of felling the tree, and all of the operations between that, and sawing and piling it in the yard, paid for it all, then the manufacturer came and hauled it away. Would it be fair to say that the only thing I could collect would be this expense plus the cost of the logs?

Mr. Maris—You want your profits.

Mr. Cunningham—No, that is not profits.

Mr. Thornton—Your expense of manufacturing the logs, plus the market price of logs at the mill, ought to be the measure of damages, it seems to me.

Mr. Cunningham—That would result. But I think a man could demonstrate clearly before any court that he was the loser in such a case, because my log is worth more than that to me when it is sawn into lumber. The point I make is this: that my log is worth more than the price of the log plus what it cost to manufacture the raw material. They say "I can buy a log for two dollars," and that is all they want to allow me. I find that it is worth more to me right there. There is the difference.

Mr. Thornton—How did you find your log was worth more?

Mr. Cunningham—Because they came and took it away and gave me that much more for it.

Mr. Maris—You are talking from the standpoint of the insured now.

Mr. Sexton—As I understand the argument, we are not arguing in favor of the form of the policy to cover that matter, because we do not look for a form of policy that will save an adjuster trouble—that is what good adjusters are for. But we are trying to adjust a loss under the policy as it exists.

Mr. D. A. Spencer—"What it shall then cost to reproduce" I think is the language.

Mr. Sexton—The policy contains not only the contract, but all of the law of the contract. It is the most remarkable document that ever was written, and the courts sustain it. It is always sustained, unless an adjuster makes a mistake and waives his rights. The policy says "The Company shall not be liable beyond the actual cash value of the property at the time any loss or damage occurs." "And the loss or damage shall be ascertained or determined according to such actual cash value, and shall in no event exceed what it would then cost the insured to repair or replace." If my friend's lumber would cost him say \$4 in the market; that is what he would get for it. But if it was worth \$14 in the market, and it only cost him \$4 to replace it he would only get \$4. That is this contract.

Mr. D. A. Spencer—I apologize for getting up a second time upon this subject. That is all very well, as Mr. Sexton says, that we can settle that ourselves. But we have the other fellow to deal with, and he says "I won't take it," and he goes to court, and the court settles that question for us. There is no question in the world that "What it would then cost to replace or reproduce" meant the cost of reproduction at the time of the fire. I do not doubt that, and never have doubted it. But the trouble with us is what the other fellow thinks of it. He says, "Oh, yes, the policy says 'cash value.'" Justice Field in a treatise on the law of damages, says very strongly, and it seems to me very sensibly, that "Public policy and necessity seems to demand a limit to liabilities. The right of parties to stipulate is unquestioned" he says. Public policy and our own rates demand that we

shall state in our forms when we write a manufacturer's risk, just exactly what we mean, and then the other fellow has got to take what we mean, because it is said in very plain language so that he cannot misunderstand it. But when we leave it in what seems to be rather ambiguous terms for the court to decide, the court says it is the other way. It is what the market value is; that cash value means the market value; what it would then cost to replace or reproduce; what he can go into the market and buy it for. That is what they say.

Mr. Holmes—Mr. Chairman, speaking of lumber, I think the only way to insure lumber would be on the basis of market value with the three-quarters clause, because the inconsistency of the present manner of writing it has been shown by Mr. Sexton, as I have his remarks in mind. We all agree that the cost of replacing is the market price if the actual market price is higher than the cost of reproducing; but if the market price comes below the cost of production, then the market price is the measure. Furthermore you pay the lumberman the same price for poor lumber that you do for the good, which seems to be rather absurd. So I think the proper way to insure lumber, it being a commodity, the same as hay and grain, would be to insure on the basis of the market price and put a three-fourths clause in the policy.

Mr. Sexton—That question of paying the same price on the good and poor lumber is another one, and is separate from the questions that we have had before. We can figure on the cost to the insured to produce it, and while many adjusters insist upon it, that if it costs the claimant \$10 a thousand on an average, to produce lumber, that we should pay only \$10 a thousand for lumber that he can sell for \$20, and pay only \$5 for lumber that he could only sell for \$5; that is what some men call whipsawing. That would not be fair, and an adjuster should not attempt to figure the cost of producing the lumber in that manner; that is, he should not limit the fine lumber to \$10 a thousand where in manufacturing the good lumber the claimant had to produce a large portion of lumber that he had to sell for \$5 a thousand. The adjuster should ascertain the average cost of producing the lumber, find the vari-

ous classes of lumber produced say of a year's work, and he would find that if a certain class of lumber sold for \$5 a thousand, was sold at a loss such loss would have to be added to cost of producing the better lumber; the better lumber might cost \$15 a thousand to produce, and by this method, the claimant will get the exact cost of producing the lumber, and will get what is known as indemnity. Millmen keep books, can tell cost of making lumber, and what class and proportion they sell at a loss and sell at a gain. And, as illustrated by that provision in the policy that I read, we should not pay to exceed the market value of the property — the cash value, which on certain classes of property would be \$5, and we should not pay to exceed what it would cost to produce the other. The other might be worth \$20, and it might cost \$15 to produce it, notwithstanding the average cost of production was \$10. It seems to me that that is a fair way of doing it.

The Secretary—I think one of the cases Mr. Maris referred to is the Pennsylvania case of the sewing machine company against the Royal Insurance Company—is it not?

Mr. Maris—Yes.

The Secretary—The plaintiff's testimony in that case shows that the cost of replacing the machines by purchasing in the market would be \$1,727. It also appeared from the plaintiff's evidence that it would have cost the plaintiff \$1,283.93 to restore or replace those machines, as they were at the time of the fire. The first paragraph of the policy provides as follows: "This company shall not be liable beyond the actual cash value of the property at the time any loss or damage occurs, and such loss or damage shall be ascertained or estimated according to such actual cash value, with proper deduction for depreciation, however caused, and shall in no event exceed what it would then cost the insured to repair or replace the same with material of like kind and quality." The plaintiff was the insured and was the manufacturer of those machines. Under the clause of the policy just quoted, the loss could in no event exceed what it would then cost the insured to repair

or replace the same with material of like kind and quality. The actual cash value of the property at the time of the fire was the measure of damage, but it could not exceed what it would have cost the insured to replace it. That is what excluded the market value of the property as a measure of damage, and what permitted the plaintiff to recover only what it would cost him.

It seems to me that in the settlement of losses there are two elements that we have to deal with. One is the product and the other is the manufactured article. Grain in the field or the warehouse, we must take the market value of. While the contract states that we have to pay the absolute cash value of production, practically there are many times when it does not seem to be just. Going now into the manufactured article, take lumber, and you can figure every bit of the cost and the expense from the time that it is in the rough, or whatever term is used, up to the finished product. The manufacturer knows just what the different quantities of lumber cost, and can give you the figures. Suppose the mill and product to be isolated at the time of its destruction, replacement of the product, at the time of fire, is out of the question. The millman is out the season's run, the plant and everything else. Neither the adjuster nor insured can replace with material of like kind at less than market price. In this case the market price should be the basis of settlement. Suppose again, the logs are in the pond, the mill plant is not burned—only part of the product—then it seems to me the basis of settlement should be on the cost of replacement. All manufacturing plants can be treated alike, with a rider to the policy. If only the stock is burned and not the plant, then the loss should be settled on the basis of cost to producer and not market value. I would say the settlement of losses of these natures could be fixed by a clause in the policy, that would specify exactly what was to be taken as the basis, whether it be one thing or another, and so relieve the adjuster many times of all of this laborious work, contention and controversy with attorneys. A most serious question to confront is, what method is to be pursued in the losses on automobile or other

manufactures carrying royalties? Therefore it seems almost imperative that companies make some provision along the lines suggested. A most excellent Paper on "The Measure of Manufacturer's Damage" was given this Association by Mr. W. H. Lowden, and is published in the Annual Proceedings for 1891, page 144. I regret Mr. Lowden is not in the room, so as to give his views on this subject.

Mr. Fuller—This question has been a subject of controversy for a great many years, and, in my opinion, it will be the subject of controversy for a great many years to come. There is a difference of opinion, not only among insurance men, but in the courts, in this regard. One court holds one thing, and another court holds another. I do not agree with Mr. Sexton regarding the contract. If a question comes up that is going to cause us so much difficulty, why not incorporate in the contract what we expect to do in the event of a loss and save all of this trouble?

The Secretary—That is exactly right.

Mr. Fuller—If we want to insure salmon in Alaska, and allow the insured the market price on his salmon, and by so doing we get that much more premium, it is a business proposition to do it. There is no moral hazard in connection with the matter, and we can afford to do it. On the other hand, if we want to protect ourselves in not paying the manufacturer's profit on a small mill risk, where there is a bad moral hazard to cause the burning of the mill in order to give the owner a profit on the lumber that he could not have sold in any other way, we should limit the measure of damage to the cost of production, and that is being done now-a-days; there have been several policies issued on sawmill risks, to my knowledge, where the measure of damage was limited to the actual cost of production. I say correct your contract so that you will know just what you are doing, and save all this argument and save the adjuster a great deal of trouble.

Mr. Maris—I was just going to say exactly what Mr. Fuller has said, Mr. President. He got the floor before me and said it first, and perhaps

better than I could have said it. But I want to state, in reply to what Mr. Spencer and Mr. Meade have said about the Pennsylvania decision, that I have all the evidence at the office in that case, sent me by the attorneys. I wrote back and asked them what argument they presented to the court to bring up this question of manufacturer's cost. They wrote back that it was not necessary to present any argument upon that subject; the court thought likewise, and the arguments on both sides hardly touched upon that point, as the price was stated. The arguments are printed, I have them all, and the court did not ask for any discussion upon that point. But I really think Mr. Fuller's idea is the one we should adopt. We certainly ought to have some way of absolutely designating in our policies, what we intend to do in case of a loss. And, as I understand from adjusters who have come personally in contact with claims recently, the claimants cite different cases to us and especially those where we have settled losses and paid the cash value—they tell their neighbors, and their neighbors let it be known up and down the Coast. The consequence is that when the adjuster gets to the scene of the fire, he finds that the measure of damages is not looked upon in the same way by himself and the assured. If he attempts to say that it is cost of production plus the value of the logs, the assured says, "Why, you paid so and so cash value—the market value. Why should I be treated differently from him? The idea is that one group of companies says one thing and another group of companies says another thing, each with the same honesty of purpose and the same idea and the same intention of carrying out the contract. If we are so divergent ourselves, we cannot expect the insured to be anything different, and Mr. Fuller's suggestions as to the change of the contract to show exactly what we mean I think is an excellent one and should be adopted, irrespective of what Mr. Sexton says as to the plain meaning to him of the present contract.

The Secretary—I do not want to take up the time, Mr. President, but this is a question that is coming up continually and will be more positive in the future. If the same claims, for instance, are made on

automobiles, and by other manufacturers that carry royalties, every adjuster will have his hands full all the time. A simple rider put upon the policy of a manufacturer stating what the method of settlement will be in case of loss, will, in my judgment, obviate all this controversy and a great many complications.

Mr. Spencer—A number of adjusters have been working for the last two years with that same end in view, and we bring that matter up here hoping that all the special agents will help us out, and try to impress upon the managers that when they attempt a settlement of a loss, they would like to have it made reasonably plain for the adjuster what is meant by the contract. If the managers do not agree with the insured in that case, it goes to court, and that is something we all dislike. We would like to clean the matter up as we go along, if possible.

The President—The facts seem to be agreed to in this case. It is largely a question of policy, I think, as to the treatment of the matter. I do not think we can do much in the direction of policies. Are there any further remarks? If not, we will listen to Mr. R. C. Medcraft's Paper on "The Adventures of a Daily Report."

ADVENTURES OF A DAILY REPORT.

R. C. MEDCRAFT

All plays are not problem plays, and all Papers read before this Association need not be problem Papers. This is my apology for offering a few lines from which little solid matter can be extracted. In fact, I feel that I have set out to say something about nothing. "What do you do when you are preaching, and can't think of anything to say?" asked a fledgling of his pastor. "I just holler," was the answer of the experienced exhorter. Don't in any event apply the story to me, but forgive me when I naturally drift somewhat from the strict letter of my text.

Two years ago, during the successful session held under the presidency of Mr. George W. Dornin, I submitted a Paper which mainly consisted of a statement and analysis of the normal expense demands of a Pacific Coast Department. A natural sequence occurs in connection

with premium income, or at least one of the phases of premium record. After all, our success depends in the first place on our ability to secure premium, and, as a close second, to select and control it when we have it within our grasp. Under our system, the latter responsibility depends quite materially on the accuracy and fullness of the Daily Report—a term which is, however, a misnomer, and should be replaced by the “Agents’ Report,” or the “Risk Report,” or more simple still, the “Report.” About 785,000 of these documents reach San Francisco per annum, representing in what is usually known as Pacific Coast territory, a premium of say \$17,000,000. In passing, I may add that this volume is apparently divisible about as follows:

Frame Dwellings	-	23%	-	-	say \$3,910,000
Brick “	-	1%	-	-	say 170,000
Frame Mercantile	-	35%	-	-	say 5,950,000
Brick “	-	25%	-	-	say 4,250,000
Frame Special Hazards		14%	-	-	say 2,380,000
Brick “ “		2%	-	-	say 340,000

Now, as we all know, the Report makes its debut as an innocent sheet, blank except for a few rulings, and more or less printed matter—some of it a mere relic of former times. In due course, the agent, acting under the authority vested in him and displayed by the more or less ornamental scroll hanging over his head, records thereon an alleged copy of a policy issued; and thus galvanized into life it reaches San Francisco. All Report models or forms (and it is surprising to note that literally speaking there are not two alike in use among our offices) aim at the same result, viz: a clear statement of the risk assumed by the company. My personal opinion is that every form of Report should provide for as much needful information as possible on its face, with as little as possible of any kind on the back. Every item of information which is intended to be supplied by the agent loses in importance from his point of view, the moment the space provided for it appears on the reverse side. I believe that with the exception perhaps of the rate formula, everything should appear on the face.

On arrival in San Francisco, it soon reaches the examiner, and thus attains the second stage of its career. Happy is the Report, like the nation, that has “no history” from receipt to expiration date. But here comes the rub. Surely every special agent and every office man, according to his differing kind of opportunity, should continually drill into agents that much depends on the exactness of the Report. That the

more complete it is in itself, the smaller the correspondence it entails. That a sin of omission may easily be fatal to the record of an entire agency. That misdescription is intolerably dangerous—in fact, inexcusable. That for instance, a lodging house is not a dwelling. That a sawmill with shingle mill attachment is quite a different thing from a sawmill without. That a private stable is not an outhouse. That a sprinklered risk is not equivalent to a risk which is about to be sprinklered. And so on. To return, however, to our detail. Examiner, mapper, reinsurance clerk, entry clerk, expiration clerk—not always in the same order, of course—pass the Report along, the one to the other; and the ideal in the matter does not seem after all so difficult of attainment. But there is another view of the picture—one which is indeed the reverse of the ideal. Let us imagine a composite set of circumstances; and you will kindly make allowance for the difference in line, as between Reports which go through the Board office before reaching San Francisco and those which go there afterward.

The examiner at the very outset shakes his head mournfully, for he notices that the keynote of the tune is hard to find. There is no mention of policy number, or else the name of the assured is omitted. Or the construction of the building insured, or of the building which contains the risk is not mentioned. Or the only description of the location is by means of real estate references—the street name and number, or guides thereto, are not there, to say nothing of block number. And there is no diagram. The map references are perhaps also omitted. The special rate references may be lacking. The estimated cash value of the building insured is not stated, nor the value of anyone of the subjects insured under the several items of the policy, if such there be. The amount of incumbrance is ignored. There is no way of knowing what are the occupancies of the exposures. The examiner, however, starts in to do the best he can with his material, and sends back a query to the agent; but not till he has also had occasion in many cases to fret himself over the absence of answers to the more important of the printed questions designed to assist him in his work. To many an agent all these details are unfortunately little more than waste labor, taking up so much more of the time that he would like to devote, or see devoted, to the business of getting other risks. To the office, of course, they are of far-reaching importance.

And so the third stage of the adventures of the Report is passed, when it has been attended to fully, or in such preliminary manner as is possible under the circumstances; temporarily protected by reinsurance,

if necessary and, let us suppose, dropped into some form of suspense file, to slumber peacefully until in course of time the lacking particulars are secured, and the Report goes on again in its travels through the office routine.

Every office has its own system, and so our Report cannot be expected to travel always along one line; but it is apt, nevertheless, unless watched, to travel along the line of least resistance. Gradually it finds its way through survey references, maps, location books or cards, account books or cards, expiration books or cards, reinsurance records, Bordereaux, and so on, until its peregrinations bring it up with a jolt in the office of the Board. At this point it reaches its fourth stage, and receives the first violent shock to its feelings. Up to this time, in spite of all its congenital defects, it has been handled with affection and respect, like any other gift. But when it falls into the hands of the Board operators, there is "something doing." It is dissected, found fault with in its secret parts, jabbed, and like a convict, tagged and numbered. Worse than a convict, it is discharged on parole with its sins and offences plainly labeled for the benefit of its friends, for the exasperation of its creator, and sometimes for the eventual irritation of the policyholder, who has already safely tucked away in his strong-box its prototype, the policy. Later on, the Report meekly returns to its legitimate critics at the Board Office, and in a good many cases its offences can be wiped out. With a sigh of relief and gratification it is once again returned to its home across the street. Then it is, with another sigh of relief, laid away, and attains its fifth stage. During that stage it sleeps until something happens requiring that it be aroused. Then happens a miracle. It cannot speak, and it cannot walk; but just as surely as it is wanted, it is found to have anticipated its resurrection; it is found to have fled from its couch. In an aggravated case, several men and women enter upon an anxious search, and explore all possible nooks and crannies in which, out of sheer devilment and mischief, it may have secreted itself. I have no doubt it giggles and gurgles and chuckles in its artless way when it hears the shuffling of many feet, and, figuratively speaking, the roar of the Captain's voice; and then it peeps out to get a glimpse of the dismay written on every face. But that peep, as in the case of Tom o' Coventry, is fatal; for it is suddenly perceived, and found to have been poaching. It is triumphantly dragged out of the wrong place or file. So begins the sixth stage of its adventures. But it now enters upon more serious trouble; for in addition to being rebellious in its second stage, recalcitrant in the third, annoying in the fourth,

elusive and secretive in the fifth, it shows itself in the sixth to be downright wicked. A loss has happened to the property described. Then it turns out that, through all its adventures, the Report has carried with it as a secret, the fact that it never went through certain books at all; or that its wording was not plain enough to identify it as a twin brother or sister to another Report. Result—the tardy discovery of an overline, and general disaster and disgruntlement. Whereas it was formerly welcomed as a friend, it is now scorned and abused by all. If it could be burned up for ever and ever, such would be its immediate fate. This is one of its most unfeeling tricks, but not the only one. Sometimes, it also conceals the fact that it is not concurrent with its own twin brother or sister; and then it hauls into its spider web, the special agent or the adjuster, who proceeds, cursing and swearing, to twist it and turn it around, or to reject it altogether, as unworthy of forgiveness or any consideration whatever. Or the perverseness of this Report goes further still. The wrong interest has been reported as insured. Or the intent of the assured has been misquoted. Or the intent of the agent and that of the property owner, while apparently in agreement, accidentally but materially disagree. Or the property owner meant to insure a particular building—and perhaps the agent did so to—but the Report slyly described it as in another locality. Or amounts intended to apply to such and such parts of the property, fail to do so when the crisis comes. Then is the time when the surgeon is needed to operate on the misshapen hip: when the medicine man becomes an accoucheur or a masseur; when that bugbear—the re-forming of the contract—is in demand. Then the adjuster, full of the hope of salvage, actually hugs closer and closer to the chameleon-like Report, and stands by it nobly, in spite of its moral obliquity. The agent is either against him, or is non-committal, or honestly thinks, and says, that the company ought to pay anyhow, even if the Report did not say that the property had been shut down or misdescribed; or he is regretful. He is like the official who had been found fault with by the king at the coronation: "Please, your Majesty," wailed he, "I will do better next time."

But, after all, speaking in a general way, our system in this Daily Report matter has worked fairly well. These remarks must not be construed as meaning that there is any violent change needed, or under suggestion. An Irish woman once went to a photographer and asked for his price for a certain kind of picture of her children. "Three dollars a dozen, Mum," said he. "Bedad, sorr," was the reply, "I've only iliven at present; but oi'll have me twilfth next year." There was,

you see, a missing link between her and the picture. Still she could rely on producing it before the embarrassment of the situation became more apparent. When you occasionally hear men earnestly suggesting or advocating some great and sweeping alteration in conditions, don't take them too seriously. Nevertheless, the system may be all the better for some revising from time to time; and improvements may to advantage be made in detail, to keep it up to date, just as a complicated piece of machinery needs constant attention in that way. In this Report matter, there is for one thing too much useless individualism by offices. Of course it may be said that this has brought us to where we are; but in some things we might be quite as well off, if we were not exactly where we are. Some agents have indeed found this out, and to suit themselves only, insist on using their own form, or rather one form of Report for all their companies—and a great inconvenience it generally is, precisely for the reason that it is an exception. In school matters, it is hard upon a teacher or a child to be manipulated by too many experts in school courses and methods, who do not agree among themselves. The experts ought to work in their laboratories until they get hold of something which will not easily be knocked over by the next expert that comes along.

Would it not then be possible to adopt by common consent, four uniform forms of Report—"standard" forms—one for dwellings, etc., one for mercantile risks, one for warehouse business and one for special hazards? After all, these broad divisions cover the ground. One of them alone represents 60% of the whole business. All offices need, or at least could adapt themselves to exactly the same agreed details of information. I do not believe that the differences are so many that it would require a larger Report to comprise them, than is ordinarily convenient. The most satisfactory report cannot be other than a complete standard form, showing in addition a full number of intelligent and intelligible office brands and earmarks, of initials and signs, as it passes from hand to hand until it reaches its final filing. Then, in this respect, all will have been done that can be done.

There is of course no necessary connection between the general adoption of uniform agency Reports and the composite series of mischances which I just now imagined, or the ideally correct and completed Report which we all enjoy. On the other hand—and this is my point—unification of system tends to an insistence on exactness of detail: and that is one thing which we all do want.

Once upon a time a pupil roused his teacher's wrath by laughing all the louder, the more he punished him. "What are you laughing at, you rascal?" said he. "'Cause you're whipping the wrong boy," replied the lad. And in impressing the importance and the defects of the Report—a mere sheet of paper, if you please, a mere transcription—you may conclude that I have mistaken my text; that it is perhaps further back than the Report that we must look. The handwriting on a Report, or the style of typewriting displayed, is not always an indication of the carefulness or otherwise of an agent in selecting his risks. Very true. But deterioration in the completeness or accuracy of the Reports from an agency is not infrequently followed by a change in the record thereof, either of losses or of remittances, or of both. My suggestion, however impractical or superfluous it may appear at a first glance, would, if made the rule, tend to strengthen the requirement that a Report should actually *show* a more intimate knowledge by agents of their own risks, and a more careful acquaintance with the antecedents of some of their policyholders: for such would be a natural and important feature of the uniform Report. Within the last month, a certain well-intentioned agent in northern California wrote up a risk for a man who had recently come from Los Angeles. A week later the property burned and the agent now admits that had he been obliged by the general rules to secure, in order to record, certain information from his client before writing up the policy (although the client had never before suffered loss by fire) he would have let him alone; and he could also have learned from the man himself what he did not learn till afterwards, viz.: that one policy had been cancelled before his was written. True, we have, during changing general conditions, abandoned the old signed application system. It was supposed to take up too much time. All offices did not require it. It was a saving clause which affected only one contract in a thousand. The educational level of agents had risen—which is true). It was a labor which in view of the favorable average loss ratio, could be dispensed with. But the average rate has gone down since then. The margin left for Avoidable Losses is much narrower. A larger number of buildings contain different tenants and various occupancy hazards. And there are other modifications of condition, which are almost giving back to it its original practical value. An Illinois farmer, employing only one poor old horse, was plowing one day, while his son sat on the nearest fence. Suddenly, the old horse pricked up his ears and started briskly onward in the furrow, dragging the old man at the plowtail around the land. The lad surveyed the unusual sight, and cried out: "Say, dad,

why don't you brush off that gadfly on old Dobbin's back?" As he flew past, the old man shouted: "I never saw Dobbin doing so well before. Let the gadfly be!" I wonder if that story would apply to the signed application system, if it were now in general use, and somebody proposed to do away with it.

In spite, however, of its imperfections and errors, and pranks, the daily routine of the so-called Daily Report is apt to be as commonplace as the ordinary routine of daily housekeeping. There surrounds both, the same irregular monotony, not unpleasant and not unnatural. The Daily Reports are, however, the one foundation for whatever superstructure exists; and not merely the foundation, but something more. In wireless telegraphy, the Marconi system is based on the fact that our atmosphere and the whole earth is enveloped by an intangible "something" pervading all space, called "ether." By a certain mechanism, the operator excites at a certain point, sets in motion, transmits, a specific number of electric waves or vibrations within the ether, directly to another—any other—single point possibly thousands of miles away on the surface of the earth. By another mechanism, perfectly harmonized, those waves or vibrations are there captured, transformed; and the signals which they convey are exactly recorded in the form of letters of the alphabet. The transmitter, the receiving-rod, the coherer, and the recording instrument are all vital to the operation; but the connecting medium—the ether—is the essence of the whole operation. All these instruments, if you will give play to your fancy, find their parallel in the relations between the assured through his policy, the agent, the Daily Report, and "the office." Viewed in this light, the Report finds itself in a place of honor. The ether is the spirit of general good faith which, after all, does prevail in those relations and in which the Daily Report is enabled to live. Long may that abide with us, becoming deeper and more protective, in proportion as the efforts of our underwriter friends and teachers become continuous, more appreciated and better supported by all.

And now for a brief anti-climax. If the main subject of this little Paper is trivial, let it be kindly remembered that substantial improvements have sometimes sprung from small suggestions, and even indeed from trivial defects.

[Applause.]

The President—The Paper is certainly very good and suggestive. I would like to hear remarks upon it.

Mr. Sexton—Mr. Chairman, the man in the office, examining at the loss end of the business, can appreciate this Paper. I have an idea that the lesson may go out to the special agents also in that through them they will see the necessity of the survey and description of the property, and be careful in all particulars suggested. If they will continue to do that, they will make much better headway and do much better service than they will if they follow the advice of the gentleman that wrote a Paper a little while ago asking them to help the headquarters to make rates.

At this point, on motion, duly seconded, an adjournment was taken until the following morning at 10 o'clock.



SECOND DAY.

SAN FRANCISCO, WEDNESDAY, January 13, 10 a. m.

The President—The meeting will please come to order. We will proceed with the programme, but a slight change will be made, and we will first listen to a paper by Mr. W. S. DuVal on "The Theatre Hazard."

THE THEATRE HAZARD

W. S. DUVAL

Some fifteen years ago I was inspecting the Tacoma Theatre, then recently built, and if memory serves, Mr. Walter J. Ball, a member of this Association was with me. Mr. Ball was a director or a part owner, besides being an insurance agent, and as we climbed up to the fly gallery and crossed a paint bridge I smelled smoke.

There was a gas stove with two holes of the ordinary kind, placed on a box on a sheet of tin, and two tin buckets of sizing for use in painting scenery warming on the stove. Removing the pails and taking up the tin sheet we found the wooden box upon which the stove was standing charred and burned, and the removal of the tin, giving free access to the air, the wood burst into flame. A handy bucket of water put out the fire, but from that time the first hazard I look for in a theatre is the little gas stove where the scene painter warms the sizing for his work.

Not that the gas stove for heating is a hazard that applies only to theatres: it is as widespread as any one hazard that I know of. Hardly a building but that has one or more of these useful little danger centers, and I will incidentally call the attention of specials and inspectors to what is known as the "patent sponger," and a search will find one in nearly every dry goods store, tailoring or cloak-making establishment. A brass cylinder to hold a roll of cloth is inserted in the top of an exaggerated teakettle, and the gas stove upon which the kettle rests furnishes the heat to make steam which permeates the roll of cloth and takes the place of the old sponging process so necessary if goods are not to shrink after making up, and familiar to all workers in cloth. The sheet

of tin or iron under the gas stove, unless an air space is provided, acts as a conductor rather than a deflector of heat, the wood is charred under the metal, and when the board is burned through, oxygen is obtained for flame and consequent fire. There is a chance here for an underwriters' gas stove which shall be so constructed as to be inherently safe; perhaps by a double metal guard allowing circulation of air between the shelves of metal under the stove.

With this digression I return to the theatre hazard with the thought that as underwriters we must take the theatre as it exists, and not as we would have it. To be sure, were the usual two platforms, perched in the air on either side of the stage, from which the hanging scenery is operated, made of iron and cement, as called for in modern methods, this particular gas stove hazard would be eliminated, and a considerable amount of combustible material done away with. This we do not find in the ordinary theatre, and the badly demoralized gas stove is present in nearly every fly gallery in our theatres, often covered with a gluey size, as was one I saw in a theatre on Market street last week, and always an ever-present hazard to be guarded against.

Theatres have been burning since the time of Tiberius, when the great Pompey's theatre burned with no record of its insurance. Probably the Greeks and Romans could plead an inexperience, which is no excuse in the present age and generation. With the knowledge of the present day regarding the proper construction of theatres, there are but three reasons why the mortality of this class of risks should not be lowered.

The first is the cupidity of the owner.

The second, the venality of the ordinary municipality.

The third, the subserviency of the architect.

To kill this triple combination is a task in which the underwriter can only assist. The commonwealth bears the burden of its own shortcomings, and perhaps only by the severest lesson of death and disaster, such as the recent horror in Chicago, can it be awakened from its lethargy. There is no lack of information on hand as to how theatres should be built. Beyond the mere fire hazard, underwriters have assisted, by advice and schedule, in enforcing measures for the safety of the people who may be in the building at the danger period. No example or precept has been spared to make safety from fire run even with security for life, and where by disregard of basic rules disaster has come upon the people of any city, no finger can be pointed at the insur-

ance companies as a body, for in any way being a party to the faults of the owners.

Given the best construction, and it is unnecessary to go into details on the subject, the theatre hazard consists largely in a great mass of flimsy and inflammable material so disposed as to give the quickest and most dangerous fire; arranged and re-arranged about a stage, crowded and lumbered up with material and fittings suitable for anything from a one-room cottage to a department store. Given, also, a host of people, hurrying to and fro, often with little discipline and as likely to smoke a surreptitious cigarette among the dry curtains as to cast the match into a bunch of artificial flowers. A mass of tinsel, gauze, finery, dry-cloth, and paper. Long lines of lights, horizontal and perpendicular, electric arc lights with sputtering carbons disposed above and below as needed to illumine the path of virtue or the ladder of despair.

From our electrical engineers we must ask assistance in the electrical hazard. It is probable that sparks from arc lights burnt the Iroquois Theatre. I can say that in one theatre in this city I saw at least five of this class of lighting apparatus on the stage among the scenery.

There were the bare carbon points whose resistance and ignition give probably the cheapest and strongest light. How many fires in our experience have we known from the flying hot particles of carbon, in stores and factories where the ignitibility of the contents was far less than the dry and treacherous hangings of the ordinary stage. We called for wire gauze nettings and closed base lamps. The old Jablakoff candle did good work in its time, but it was the cause of many fires. The lime light, the precursor of the electric light, had its place in the gallery; we doubt if it was often on the stage. It is perhaps entirely practicable to use a closed electric light for major illuminations on the stage, and it will perhaps be the opinion of those most familiar with the open carbon point illumination, that it should be absolutely prohibited in any theatre.

The electrical hazard has been an open and patent one to all who, with any knowledge of the subject, have examined the theatres since its introduction. It is but recently that the San Francisco theatres have been placed, through the efforts of the Board, seconded by the electrical engineering department, in any decent shape. The absurdity of many of the amateur efforts in electrical methods in many of the theatres would have been amusing but for the serious danger.

A hazard exists here which it is difficult to guard against, for the reason that the theatre employes change the electric wiring and apparatus to suit their own convenience. A recent case in point is where, after

much trouble, the owners of a suburban theatre put their electric arrangements in first class shape; within a week after inspection and approval, I found the hanging cords in the dressing rooms nailed with metal brads and staples to the wainscotting, where convenience had dictated. As an instance of the indisposition of owners to improve the fire protection of theatres, regardless of life and property, the managing director for this risk wanted a reduction in rate for remedying the electrical defects which cost some six hundred dollars. This was of course declined, but I offered to make a special visit and suggest some betterments which would perhaps reduce the rate. "For Heaven's sake no!" he said. "You might want us to spend some more money, and we will have to skip a dividend now."

The water colors, with which most of the regular permanent scenery of the theatre is painted is far less inflammable than cotton or canvas painted with oil colors.

Especially is this the case if the cotton fabric has been soaked in borax water, alum, tungstate of soda, or some other of the fire retardants. It is a fact, however, that scenery drops, etc., for traveling shows are often painted in oil by reason of its greater wearing capacity. I may say here that the use of borax size recuperates and refreshes old scenery and should be liberally applied to both front and back of drop scenes as well as set pieces. The process renders the cotton cloth much less easy to ignite, and should be much more commonly used than we find it.

One who has seen the enormous amount of cordage used in raising and lowering the scenes, now entirely handled from above, is alarmed at this mass of material ready to burn. I do not see why metal cords should not be substituted. If not flexible enough, some improvement could certainly be made in their manufacture.

With all that can be done, there remains the mass of material subject to accidental fire which I have described. How shall a fire in this be extinguished? The fire is apt to be so quick that people, even detailed firemen, may be driven from the stage. The construction of the stage part at least of a theatre, is such that a fire is hard to fight, there being few if any openings in the walls. To let the fire get out of control is to lose the entire building, for the size of the proscenium opening is such as to make the stage and auditorium one risk. It seems to me the one hope is a most complete and thorough equipment of automatic sprinklers. No half-way proposition, such as obtains in those few theatres in this city as have a partial protection. There is no mechanical objection, it is a matter of expense only. The supplies must be ample, perhaps double

that for ordinary requirements. In the old fashioned theatres with wooden gridiron holding the ropes and pulleys the problem is more difficult than with a modern iron gridiron, so called. Nor should the auxiliary siamese connection for the fire department engine be neglected.

Water curtain in the proscenium arch, the asbestos curtain, which may or may not be lowered, and at best proves only a temporary barrier, are excellent, but if there is to be some pretense to real safety, the automatic sprinkler appeals to me beyond any other device. The height of the structure for raising scenes over the stage, and the fact that at times covered structures might obstruct the distribution, are problems to be worked out, but are not unsolvable.

There is also the danger of an explosion, if such should precede a fire, breaking the pipes, but this is perhaps a remote contingency.

If every nook and cranny of the stage, and every dressing, scene, property and work rooms are thoroughly equipped with standard equipment, I for one would trust myself with comfort in theatres, where now I go only under protest.

In writing these few notes on the theatre hazard, my mind has been on the brick theatre. As for those of frame construction, from a humanitarian standpoint none should be permitted. As fire risk they throw the worst brick theatre in the shade. Every precaution thrown about the brick theatre should be enforced in the frame and when that is done the rest can only be left to Providence.

Anyone who will study the requirements for construction and maintenance of theatres; and a copy is free for the asking, can see how safely a theatre can be built, and yet in the very latest construction of a theatre in San Francisco, not a single one of the provisions is complied with. These requirements were enacted as an ordinance in 1900 and it is probable they are avoided by the fact that this particular theatre is an old one made over. Whatever the reason, it shows that on the part of owners and builders there is little disposition to improve the fire hazard. The Chicago fire, with a death roll of 600, will in all probability bring about a great change in theatres in that city. Whether the Pacific Coast cities will profit by the example and so raise the fire standard of many of our defective theatres by forcing improvements is hard to tell; but the work of the insurance companies in recognizing and penalizing the faults in theatre construction and management runs hand in hand with that humanity which would hold life far dearer and more to be protected than any interests of property however great or important.

[Applause.]

The President—This Paper is of direct interest, but it does not lend itself to discussion, unless some of you have some experience as inspectors of such hazards that you would like to relate. I was reminded once of the unexpected sources of fires by an experience. A gentleman called my attention to the fact that a cigar ash had dropped in his umbrella and burned a hole therein. We were talking in the hotel, and, as I passed up stairs, the hall being rather dark, I noticed a tiny smoke in the middle of the floor. Upon examination it proved that a cigar ash had been dropped on the carpet, and the coal had had sufficient fire in it to set it ablaze. Ordinarily I would have laughed at the idea that a cigar ash thrown on the carpet would have caused ignition. But that was a definite illustration. Considerable emphasis has been placed during this meeting on the mutual and reciprocal value of practice and theory. I was quite interested in a Paper that appeared in the last Atlantic Monthly, which called attention to the fact that experts on advertising were now clearly admitting the direct and practical value to them in the study of psychology. If there ever was a purely practical business combined with nebulous and hazy science this combination of psychology and the business of advertising certainly is one.

In providing the Paper which will now be read, on "Safeguards in the Use of Statistics," emphasis is laid on the value theory has for us, its practical value and the possible practical application of it. We are very fortunate and privileged in having an expert in this direction volunteer his services. It is with very great pleasure that I present to you, gentlemen, Professor Carl C. Plehn, of the College of Commerce of the University of California.

[Applause.]

Mr. Plehn—Mr. President and Gentlemen: During the last twenty years or more, one may say certainly within the last twenty-five years, there has been great progress in the direction of applying scientific methods to statistical investigations. Most of the development has been in the application of principles which, when studied alone, seem extremely simple, almost childish, but, when carried out logically give results in the direction of very marked improvement, and somewhat

marked departure from older methods and older results. I trust what I have to say will not fall in the category of nebulous and hazy science or theory. I have picked out four of these simple, and as I said a moment ago, from a certain aspect almost childish, principles, and I have endeavored to illustrate them somewhat at length, but have confined myself to four of the more important safeguards in the use of statistics.

SAFEGUARDS IN THE USE OF STATISTICS.

PROF. CARL C. PLEHN.

Probably the commonest conception of the accuracy or inaccuracy of statistical statements is that expressed in the saying, trite in the extreme, that "figures can't lie, but liars will figure." The humor of this saying is supposed to be found in the apparent contradiction between the first and the second parts, for certainly if figures can't lie, then it is useless for liars to figure. This supposedly humorous contradiction, however, rests mainly upon the fact that the first part of the statement is false. Figures can lie. Figures, like words, stand for ideas, and may be used to convey false ideas. We could scarcely say "words can't lie, but liars will talk." Figures like words can be used in such a manner, and put in such conjunction that even in the mouth of an honest man they will, often without his active or intended cooperation, convey false notions. It is generally supposed that the extent to which truth can be conveyed depends mainly upon the accuracy of the original expression. Accuracy of original expression is certainly essential. But quite as much depends upon the ability of those to whom they are addressed to understand and interpret them. Numbers are among the simplest forms of expression and like other simple forms of statement, while intelligible, in a way, to the comparatively ignorant and untrained, and capable of conveying some ideas even to such, convey very much more to others of greater training and capacity. Misinterpretation by hearer or reader is not infrequently the cause of error even when the original statement is correct.

The first "safeguard" to which I would call attention is, therefore, the necessity of hearing and reading correctly; that is, of having and observing understandingly the explanations essential to an interpretation of the figures submitted. Number is too crude a form of expression to be safely used without explanation and limitation. For example, as children we are taught that we must not add together 4 oranges and

6 pears, for the result is neither 10 oranges nor 10 pears. Unfortunately this simple rule is more honored in the breach than in the observance. We do not, indeed, frequently break it in the specific instances we have been taught to avoid. But we do so in innumerable other instances analogous thereto but more subtle. This is one of the most glaring faults of the more common fire insurance statistics, such as those which appear in the daily papers and some of the journals. Risks of all sorts, no matter how incongruous, are added together, and losses of all sorts summed up in one total and the resulting statement is given forth as though it were an intelligible idea. For certain purposes this might, conceivably, be legitimate. To be sure no matter how heterogenous in character, they are all "risks" and all "losses." As isolated statements they may stand. So in the same way our 4 oranges and 6 pears do together constitute 10 pieces of fruit. But it is when we proceed to use these complex totals that we are prone to forget their origin and make up. We are especially prone to compare one set of such totals with another. What is commoner than for the uninstructed public to be told to compare the amount of risks written by one company with the amount written by another, simply as totals. Yet as each manager works on a different theory and tries to carry a certain line or lines these totals, so far as the safety of the companies is concerned, and in almost every other aspect in which the insured is interested, are very different in meaning. Because in one group of 10 pieces of fruit there were 4 oranges and 6 pears we cannot safely conclude that in another group we shall find even the same sort of fruit. So when you state that one company wrote \$10,000,000 worth of risks and another \$12,000,000 you have given no information of any value unless it be accompanied by further information and explanations. Unexplained statistics are not enlightening.

Another example from another field will perhaps help to make my meaning clear. It is assumed that the purpose of fire insurance is to distribute over many the losses which might ruin the few upon whom they would fall without this device. Incidentally those who conduct this business are entitled to earn a living from their services and to receive a fair return upon the capital they adventure. The loss occasioned by fire, the fire waste, is best expressed from the point of view of the general community as a ratio, to or percentage of, the total property exposed to destruction by fire. This is what most citizens think of when they think at all about the operations of fire insurance. Yet as we all know this one fundamental fact cannot be ascertained, partly from inherent difficulties

in its ascertainment that have never been seriously attacked, but largely because underwriters have found other forms of expression that are more suited to their own personal business necessities. There is no objection to expressing the loss ratio as a percentage of premiums received. It is better, so far as the public is concerned, to express it as a percentage of the amount at risk. The first is useful as giving a clue to the profits, the second for comparing one year with another. But both of them are misleading when put before the public who are not trained to an understanding of ratios in this form and who are prone to draw very different conclusions from them. Neither of them come within the understanding of the ordinary business man.

It is possible that your attention has been called, or that some of you have had your attention called, to the recent issue of the *Annals of the American Academy of Political and Social Science*, where a very violent attack is made upon the insurance companies of the United States, on the ground that they unnecessarily raised their rates two years ago (about two years ago, I think) by twenty-five per cent., and in which the author undertakes to show by a series of statistics that the companies have been wasteful and extravagant, especially in the direction of giving the greater part of the advance in rates to their agents for obtaining a relatively small increase in business. A careful examination of the statistics there used shows that the author has fallen into this error which I have been trying to explain. He has made the figures to mean one thing, when as a matter of fact they mean something very different; and he has fallen into that error largely because the figures are so commonly published without an adequate explanation of the underlying meanings and all the limitations which it is necessary to put upon them before they can be safely used. It is largely on this account that you are rarely able to explain to the satisfaction of the assured the justification of your rates by the use of any actual published statistics.

Statistics has been variously defined. One of the best definitions is that it is the science of counting. This is the definition given by Prof. Bowley in a recent very useful text book on statistics, from which I shall quote quite freely in this Paper. He goes on to say of this, in general, that counting appears to be a very simple process, which any one can perform, or which can be done automatically; but as a matter of fact when we come to large numbers, for example, the population of the United States, counting is by no means easy. The limitations of time and space prevent its being done by any one person, to say nothing of the expense. As a matter of fact absolute accuracy is never possible

when the numbers pass a certain limit. Great numbers are never counted correctly to the unit. They are estimated. To take an example: The census of the United States requires the co-operation of thousands of workers. They have to carry out their instructions in the field according to their own individual lights, and work under many and differing conditions. Even so simple a conception as a resident has to be carefully defined and the definition is often difficult to apply. During the taking of the United States census of 1900, the question came up as to where the Alaska fishermen who are residents of San Francisco, so far as they have any residence at all, should be counted. It so happened that at the time the census was taken, the fleet was in Alaskan waters, and none of the fishermen were here. There were two or three thousand of them, and it was rather important, if they belonged to San Francisco, that they should be included in the population of San Francisco. That gives you an illustration of applying even so simple a conception as that of residence. Questions of that kind are continually arising. There is no certainty that all the enumerators will accept and reject instances on the same basis. Numerical errors cannot be avoided when the work is done by many enumerators; some will be careless, some stupid, some will make omissions, some duplications, and mistakes in transcribing, and tabulation will inevitably occur. The population of the entire United States as given by the last census was 84,233,069, which is probably correct within two millions, more or less. That of continental United States, which was enumerated most carefully, was 75,994,575. Precise as this statement sounds it is as a matter of fact inexact. We can feel certain, in spite of the fact that the work on the whole was done with extreme care, that the last three figures might be anything else. The fourth figure from the end is equally indeterminate and it is pretty certain that the fifth figure from the end would have been something different if the census office had been omniscient. In short, from what we know of the so-called limits of accuracy, it is certain that the statement "the population of the United States on the continent is between 76,760,000 and 75,240,000," would be more truthful than that put forth by the census office. This involves not the slightest slur upon the census office, whose work in this country is performed with the greatest attainable accuracy.

Bowley says: "there is not in existence a perfectly accurate measurement, physical or economical, just as there is no perfectly straight line or perfect fluid." We can measure lengths and surfaces up to a certain point, usually determined by the accuracy of our instruments, but there is

always a point beyond which precision is not possible. The astronomer stretches a spider web across the eye piece of his transit and then tries to observe the passage of a star across that finest of all visible marks. But after his observation is done he expends a great deal of time and energy upon computing, by the most ingenious of methods, the error of his observations. While, however, the physicist can, when he has done his work, say that his results are accurate within certain known limits; for example, the weight of a cubic foot of water to one part in a million, the statistician can rarely make any satisfactory estimate of the amount of his error or its limits. On the other hand, similar accuracy is not necessary for most practical purposes. The area of an estate is given in acres and not correct to a square yard. The prices of stocks move by a point, a quarter, an eighth or a sixteenth; we keep the day, not the hour, of our birth; railway timetables show minutes, not seconds; a race is timed to the quarter or tenth of a second. Similarly in statistical estimates we seldom need results that are accurate within one per thousand, or even one per cent. "One per thousand of a working week," remarks Bowley, "is only three minutes; one per cent. of a week's wage is only 3d." We do not require to know the population of San Francisco within a hundred or its expenditures to a dollar, nor the expectation of life to a day.

The second safeguard is, therefore, to observe the rule that statistical estimates should not be read as more accurate than they are when properly made. As the limit of error is unknown it is not safe to draw conclusions which involve for their correctness the assumption that the last figure in the estimate is absolutely correct. Especially must we guard against putting the figures through operations, arithmetical or other, which exaggerate the error. To illustrate, let us suppose that we find by careful statistical investigation that the fire loss on a given class of risks has run 47.2 cents per hundred at risk for a long series of years, and we conclude that this is a safe basis for making a rate. It is still not proper to assume that a premium rate which would yield 50 cents over and above all expenses would necessarily yield a profit of exactly 2.8 cents per hundred at risk, and on the basis of that computation to enter into contracts involving the payment of the last tenth of those eight-tenths of a cent, in interest on bonds or for any similar purpose. The result 47.2 cents, hard won as it ever may have been, is doubtless inaccurate in the last figure and possibly to the extent of plus or minus one per cent., and the statement that the loss ratio was from 46.8 cents to 47.6 would be nearer to the truth. There are too many variables and chances of error, beginning with the errors of judgment by the adjusters and ending with the

last stupid blunder of the office boy, who turned a six into a nine, to make it safe to count on the precision of such estimate. Yet for broad uses they are all that could be desired. It is one of the commonest blunders of amateur statisticians to overstrain their data.

Statistics has been defined as the science of averages or the science of large numbers. These two statements are practically equivalents. The purpose of an average is to present the significant features of a complex group or of large numbers in a few significant words or figures. An average is used to avoid large numbers. We say that the California football team had an average weight of 165 pounds, that of Stanford 170, instead of saying that the one team weighed 1815 pounds and the other 1970 pounds. Or again an average is used to reduce things to a common denominator. It is easier to understand the statement that the population of San Francisco grows by 3% per annum than that it increased from 350,000 to 382,000 in three years. The one statement permits us to compare its growth with other cities large and small; the other does not. Daily wages, hourly wages, weekly wages and monthly wages must all be reduced to the same sort of averages before they can be compared.

There are a great many different kinds of averages, of which most people know but one or two. To most men the term average conveys the sole idea that it is a quantity obtained by dividing the sum of certain figures by the total number of instances to which they apply. This is the common arithmetical average, which may of course be made up in a great many different ways. Suppose that the wages of iron moulders in five different towns are \$3.60, \$4.00, \$3.75, \$3.25, \$3.30; the average might be stated as the sum of those divided by five or \$3.58. But if there were 20 moulders in the first town, 100 in the second, 10, 40 and 30 in the others, the average would be more accurately stated as \$3.69. When we cannot get the exact number of men at each wage we may estimate them by some method and assign the estimated number to each wage rate as a weight. This gives the weighted average. This is the customary method of handling prices, the weights assigned being estimated according to the supposed importance of the article for the purposes to which the average is to be applied. These are common averages and unfortunately they are about the only average, known to the "average man." They are for most purposes very clumsy statistical devices, and almost universally convey a false impression. When carried to an extreme as they almost always are they are obviously absurd. A statement that a given railroad carried 842 1-9 passengers per mile of line each day is

absurd unless the one-ninth of a passenger was a tailor, and the saying that it takes nine tailors to make a man is true.

There are three other averages in more or less common use among statisticians, each of which has its particular advantages for certain purposes, and each of which is obviously better than the arithmetical average. These are first the median or that quantity above which and below which there are exactly half of the instances. Second, there is the mode or the quantity which most frequently occurs. Third, there is the geometrical average obtained by multiplying all the quantities together and extracting that root which corresponds to the total number.

Each of these averages has a marked advantage for some purposes over any other and should be used by preference for that purpose as likely to convey the truth better than the others. The mode, if there be a decided one, is the best all-round average there is. It is the most useful and on the whole I am inclined to believe that it is the most truthful one. The arithmetical average corresponds to no reality whatever, being a pure abstraction which is much influenced by any extremes in the list. The arithmetical average is useful therefore only when it is peculiarly necessary for some reason to preserve the influence of the extremes. For example, if you are doing a piece of work that requires an average of weight of certain persons, and it is important to exclude the man whose weight was 300 pounds. You can not use the arithmetical average in this case, because it is so very far from the ordinary idea of the average, by including this 300-pounder and the influence that he may have upon the result. The mode, however, does correspond to a real quantity. There are no ninths of a man in the mode. The arithmetical average of say the size of hat worn by San Franciscans has no interest to the latter. It would fit no one. What the latter is particularly interested in is the size worn by the most people. That is the mode.

The mode is what most people mean when they say "average." The newspapers talk about what the average citizen thinks, or what the average clerk earns, or what the average woman spends on clothes and the thought is not the total ideas divided by the total number of citizens, nor the total wages of clerks divided by the total number of clerks, nor the total sum spent by women on clothes divided by the total number of women. It is rather the ideas entertained by the greatest number of citizens, the rate of earnings of the greatest number of clerks, the amount ordinarily spent by the greatest number of women. It is because it comes nearest to what most men mean when they say the "average" that the mode is the most useful and the most honest of all

the averages. Yet, outside of a small group of trained statisticians, how few there are who know how to find the mode in any series of numbers.

To cut short the technical discussion of the relative merits of the different averages, let me endeavor to illustrate the use of the mode especially in fire insurance. Suppose you wished to convey to the public a fairly correct impression of your premium rates in different localities without going into the distinction of classes which are perhaps too complicated for the "average man" to understand. You might use the arithmetical average of the rates in the different rate books without reference to the amount written at each rate. This would be obviously conveying a false impression. Or you might decide to divide the total amount received in premiums by the total amount written. This would be somewhat more nearly correct. But it would still be beyond the comprehension of the business man. It would come out in odd cents or fractions of a cent to which no rate actually corresponded. It would be obviously more honest and more within the comprehension of the public to use the mode and say simply that the most common rate as shown by your rate book is say \$1.25 in one town, \$1.35 in another, and so on. Other applications will readily suggest themselves.

The third safeguard that I would suggest is the necessity for so selecting the average in every case that you use the one most likely to convey the truth to your reader or hearer. It is often the case that the common arithmetical average is an atrocious liar.

As has already been said, statistics is the science of large numbers. It is only in large numbers that the probabilities are fully revealed. It is only through a study of the probabilities that we can foretell the future. In fire insurance the statistical problems in which we are most vitally interested are all concerned with the probabilities. The probability of loss is the thing which fixes rates. You estimate the probabilities roughly at present. The time is not far distant when you will compute some of them with great care. Scientific measurement will take the place of rule of thumb methods. One or two more rough estimates like that which led to the recent twenty-five per cent. raise in the East will arouse an opposition that cannot be ignored. Estimating the probabilities in the case of fire loss is most distinctly a problem in large numbers. Conclusions as to probabilities drawn from small numbers have no validity whatsoever.

We are all more or less familiar with the mathematical theory of chance or probability. We have obtained that knowledge largely from its successful application in life insurance. Although it is not strictly

true that every man knows to a day the expectation of life that is before him there are not a few who regularly keep track of it to a year. It is by the application of the mathematical theory of probability to the expectation of life that life insurance has become so rational and has so much of the confidence of the community that it is regarded as an investment rather than a cost. In individual cases birth, death, marriage and illness are regarded as matters of pure accident. Mere chance unregulated by law is what they appear. "Death has no calendar," says a German proverb. "Marriage is a lottery" is a common saying. Yet it can be demonstrated without difficulty that the birth, death and marriage rates of large communities are fairly stationary, and when they vary we are not satisfied until we have found the cause. We require a definite cause for every variation from the normal. Proud as we may assume to be of our right to marry when and whom we please, provided the other party consent, marriages in large communities are obviously made in heaven if the astonishingly regular rates they show are any evidence of that fact.

I am reminded, in this connection, of a story once told me by President Taylor, of Vassar College, apropos of the question whether higher education tended to prevent marriages. He said that one of his pupils went to visit an uncle who owned a large furniture factory. On being shown through the factory by her uncle, she saw thousands of chairs in the process of manufacture. She said to her uncle, "Why, uncle, is it possible that you are ever going to sell all these chairs, thousands and thousands of them?" He looked around at her and said, "Yes, my dear; settin' down ain't a' goin' out of fashion right away." (Laughter.) So it seems that marrying and giving in marriage seems to continue at a fairly stationary ratio in spite of our boast that we are free agents.

The idea of chance as regulated by law has passed into science. The dice fall from the box; but each die has only six faces, and when cast one must come uppermost.

"When from their games of dice men separate,
He who hath lost remains in sadness fixed,
Revolving in his mind, what luckless throws
He cast, ———"

Dante.

When dice are cast we know in advance the probabilities. Experiment shows that the more often the dice are cast the more nearly the falls correspond to the probabilities. But for the statistician the more interesting part of the theory is the converse. The probabilities being

unknown how nearly can we discover them if we have enough throws. If we did not know how many faces a die had could we discover it by simply repeating the throws and noting the marks on each face? Evidently we could. In twelve hundred throws each face would come uppermost approximately two hundred times and even 12,000 throws would not reveal more than six faces. This makes it possible to learn unknown probabilities from a set of observed occurrences. But the absolutely essential factor is that we should have a great number of known or observed occurrences. If we throw a die six times we may get two aces two fours and two sixes, but we could not conclude that the die had only three faces. If we threw it 12,000 times nothing but loading would prevent the disclosure of six faces and these would come uppermost in equal proportions if the die were fairly made and fairly cast.

When possibilities are more numerous, it takes more time to learn the probabilities. Without going further into the theory of probability and wearying you with its details in a way which might be interesting elsewhere but not here, I wish simply to call attention to the last of the four safeguards I intend to discuss and the one of most vital importance in your business. It is simply that it is not safe to draw conclusions from small numbers. The possibility of forecasting the future from the past arises solely when we have a multitude of instances in the past. To be particular, by way of example, you might draw fairly safe conclusions from the experience of fire losses in a small town of say 500 houses if you had a record of that town for fifty years and could be positive that the conditions had not changed in that time; but one, two, five or even ten years' experience might fail to reveal the true hazard or might even exaggerate it. When classes are numerous probabilities are equally so and still larger numbers are necessary.

In dealing with fire losses you have to do with a law which reveals itself, if at all, in large numbers only. I have evidence, presented in another connection, that such a law does exist in fire losses, that they are no more chance occurrences than births, deaths or marriages. The sole point I wish to emphasize, however, here, is that the law reveals itself solely in large numbers.

Professor Whitney will later to-day present to you his discovery of the mathematical principles—or formula—involved in what is commonly known among you as the principle of "co-insurance." I may be permitted to say in passing that I think he has made a very important discovery. Coinsurance seems to be the first step in the blind feeling of the way backward toward the original primitive notion that the premium

must bear some true relation to the total value of the property insured. This is the fundamental notion of fire insurance from which every successful attempt to solve the problem and penetrate the future must depart. Like the expectation of life, which expresses the probability of death for the life insurance man, the notion of a ratio between fire losses and total values can be developed and when the ratio is drawn from large numbers it will express a permanent truth. In short you can tell how many out of ten thousand buildings of a given sort will burn in ten years but you cannot hope to say when a particular building will burn. If you know the first you need have no concern for the second.

Karl Pearson is probably the greatest investigator in the field of the chances of death. He it was who reduced the seven ages of man to five. In his study of the chances of death he sums up some of his conclusions as follows: "Artistically, we no longer think of Death as striking chaotically; we regard his aim as perfectly regular in the mass, if unpredictable in the individual instance. It is no longer the Dance of Death which pictures for us Death carrying off indiscriminately the old and young, the rich and poor, the toiler and the idler, the babe and its grandsire. We see something quite different; the cohort of a thousand tiny mites starting across the bridge of life and growing in stature as they advance, till at the far end of the bridge we see only the graybearded and the "lean and slippered pantaloons." As they pass along the causeway the throng is more and more thinned; five Deaths are posted at different stages of the route alongside the bridge, and with different skewness of aim and different weapons of precision they fire at the human target, till none remain to reach the end of the causeway—the limit of life."

For the purpose of concentrating the discussion I have presented but four of the safeguards in the use of statistics. There are others perhaps as worthy of your attention, but these are a few of those which appear to me most essential of observance in connection with fire insurance.

[Applause.]

You will have noted that, running all through the Paper, there is the idea that one of the most important uses of statistics is for the presentation of notions to the public, and each one of these safeguards, save possibly the last, which is of vital interest in your more personal business relations, has its application to the presentation of statistics to the public. You rest, after all, for the prosperity of your business, upon public good will and public support, and it is essential that the pub-

lished statistics should be such that they can be readily digested and understood by the public to whom they are generally addressed.

The President—Gentlemen, this Paper being in its essence, an expert opinion, is hardly the subject of discussion in the sense of criticism or of comparison of views on an even basis. There are certain ways, however, in which it can be considered—that is by asking questions with regard to the points advanced. There are two of our members who have worked with Professor Plehn, in a given instance on statistics of our Board. I think Professor Plehn would be very glad to elaborate upon any point that he has touched upon. I would ask Mr. Lowden to suggest some of the thoughts that have come to him in connection with this matter.

Professor Plehn—Mr. President, before Mr. Lowden begins, I want to request that nobody should be debarred from criticising the Paper on account of your statement that it is not the subject of criticism. I should be very glad for any criticism upon it.

Mr. Lowden—I would like to ask Professor Plehn what value he would attach to the statistics we are compiling in the Board Office, if we cannot base them on the value of the property which is the subject of insurance, instead of on the amount covered by our policies?

Professor Plehn—I must have been unfortunate in my statement in the Paper. Possibly, in endeavoring to emphasize the importance of the other influences that intervene, I under-rated the importance of the ratio drawn for your own business purposes between the losses and the amount at risk. In fixing rates, you have to go back to the ratio between the amount at risk and the losses.

Mr. Lowden—And the value of the property?

Professor Plehn—That is at the present time the only thing you can get. But if you had the value of the property, you could get a conception that is still more important and still more vital in the making of rates. I have recently endeavored to find some statistics that would give

a clew to the ratio of losses to the value of the property, that being the real fire waste. That is unattainable, on account of the practical difficulties at the present time. I do not think, however, that these difficulties are insuperable, but it would take much labor, and possibly much expense to obtain this data.

Mr. Lowden—We all know that as the years go by, the amount of insurance to property values is changing; it changes after a conflagration, for instance. We know that people get scared and increase their insurance to value, fearing disaster. Then again when the cut rate wars come upon us and the public get insurance cheaply, insurance is increased. To my mind, that would throw our classification figures very considerably out of gear. But, I suppose the coinsurance clause, which I understand will be the subject of a Paper before us this afternoon, will throw a good deal of light upon the subject and perhaps enable us to arrive at a better conclusion. The coinsurance clause, of course will change the proportion; I do not think, Mr. President, that this is a Paper that we can discuss off-hand. I have been very much interested in what the Professor had to say, but it is of too much importance to admit of any off-hand discussion. It is something that we should meet with study. As chairman of the Classification Committee, I have been very much interested in it, and I think I have received very valuable suggestions. Yesterday I received a letter from Professor Plehn, and I gathered from that letter that he did not expect to be present here today. In the letter he gave me the different headings he was going to discuss, and, before coming to the meeting, I prepared a few notes on the different headings. I will give them to you, with your permission. The first head that the Professor referred to reads as follows: "Numbers are abstract expressions, so condensed that their true significance is not clear without ample explanation, well within the intelligence of the person to whom they are addressed. Such explanations are necessary in order to make the figures tell the truth."

I noticed a sentence in his Paper that struck me very forcibly while he was reading it, and that was "Unexplained statistics are not

enlightening." That is what the classification committee has been endeavoring to fight ever since the classification bureau was established by the Board, six years ago. We have had to fight the demands of members for results, and impatient demands, too, which results we all know are very misleading. I may say, that it has always been the feeling of the Classification Committee that the results as shown by the record in the Board office should be handled with the utmost discretion; otherwise, false conclusions might be reached. Professor Plehn, with his extended knowledge of statistics, is evidently still more impressed with the importance of guarding the results than we are, and the opinion of the committee is, of course, greatly strengthened by his endorsement. It would be very unwise, in the judgment of the committee, to publish the figures either to Board members or to special agents in their present incomplete state, and it is felt that before such publication is made, the plan should be in operation ten years—the Professor in his report to the Board limited it to six years, but I think he will agree with me that ten years would be better—and, even then, the results should be very carefully analyzed before any conclusions are attempted.

The second point in his synopsis is: "Statistics is the science of counting. But counting is a rough process, and cannot be made exact; not, at least, to the same extent that physical measurements are exact. Such exactness is not, however, necessary for most practical purposes. Precision being unattainable, care must be exercised not to attempt conclusions which involve the assumption of greater accuracy than the original figures permit."

Under the second heading, the Professor impresses upon us the fact that even with the utmost care exercised in the handling of figures, absolute precision cannot be obtained; but we think that for all practical purposes the classification of the business on the Coast can be made of great value to the underwriting interests. Our business is one of averages, and we can at least hope that, failing in absolute precision, we can secure an average result on the several classes in the different locations which will be of benefit.

The third head of the Professor's letter is: "Statistics is also the science of averages. Of the many averages in use among statisticians, the arithmetical is the least suited to most purposes; the mode is probably the best suited. Other averages discussed are the weighted, the median, and the geometrical. Careful selection is necessary in order to secure the choice of averages which are truth telling."

With reference to that, I want to say that the only one open to us is the arithmetical, so that, while we are interested—and I was personally very much interested in the different methods proposed—we can only depend upon the figures and the arithmetical average.

The Professor's fourth heading is: "Statistics is the science of large numbers. Conclusions from small numbers are at best dubious. Those from large numbers will reveal the underlying probabilities."

Under the last heading, the Professor again sounds a note of warning regarding the careless use of figures representing small numbers. Mr. Folger referred to this in his Paper yesterday, and several of his diagrams were based on such small numbers that any conclusion attempted from the results shown would of necessity be incorrect and could not be applied to the business extending over a longer period and embracing larger quantities. The classification committee is convinced that good work is being done by the Board office in compiling these statistics; and, while the results are not immediately available, we are quite certain that those who may come after us will be better able to decide on an equitable rate than we can do at the present time.

I want to quiet the minds of the special agents, Mr. President. There was a little talk yesterday about a desire to get at results from the classification records of the Board. They are not available at present, and it would be unsafe, and I think every special agent should be convinced, after listening to Professor Plehn's Paper, that it would be unsafe, to publish those figures until they have been thoroughly analyzed and conclusions deduced from them by experts. I do not profess to be one myself. I am, as the Professor said a moment ago, an amateur statistician and have been for several years, and I have had the honor of presenting some Papers to the Association on the result of Pacific Coast

underwriting. But I would not be capable of taking these statistical figures today and arriving at any correct result—not an absolutely correct result—because I don't think it could be obtained, but of arriving at the results which an expert statistician like Professor Plehn can furnish from those figures. The average underwriter certainly could not do it. The best we can do is to use the Board's machinery to compile the figures; and, after a reasonable length of time, get as many together as we can, and submit them to experts and let them give us the results. They will be useful to the rating committees later, I am sure, and in three or four years from now, good work can be done in the Board in that direction.

[Applause.]

The President—I am sure you will be interested in hearing a few brief remarks from the other member of the Classification Committee. Mr. Herbert Folger.

Mr. Herbert Folger—Mr. President, I think that no one need be ashamed to admit that he is quite lacking in the training or knowledge necessary to seriously criticise, or follow, a Paper of this character. But it may not be out of place to offer a few remarks from our own standpoint. Reference has just been made to Prof. Plehn's statement in his report that a six year period might be fairly taken. I should like to read, however, a few words from the report of Prof. Plehn to the Board of Fire Underwriters of the Pacific, which have a bearing upon that. He says: "But even after the existence of a uniformity in these favorable cases is established by the various tests commonly used by statisticians, the results will have to be checked again by that common sense, good judgment, and general knowledge of conditions which has been the mainstay of the underwriters in the years gone by. Statistics will supplement, but they can never take the place of experience." Following the homely illustration used by Prof. Plehn, that one may not combine four oranges and six pears, I would like to submit the example of dwellings, with and without fire protection. The committee has found that in one group of dwellings in protected cities the proportion of

losses paid to insurance affected in four years was 11 per cent.; in another 17 per cent.; and in a group of unprotected dwellings the proportion was 44 per cent. Prof. Plehn would probably tell us that 44 per cent. is much safer as an average than the ratios shown by the protected groups, for the reason that the unprotected dwellings are smaller in size, are more alike in value, and the losses vary less in amount; and in the absence of protection, the amount of damage most frequently observed, would be nearer the arithmetical average than in the case of protected dwellings. Now it is manifest that statistics comprising the results of insuring these different groups of dwellings for several years should no more be combined than apples and pears. In the one case we have nothing but dwellings and in the other nothing but fruit; but no possible gain can come from the combination. If experience teaches us (and we are densely ignorant upon the subject just now) that the probability that a fire loss will occur in a dwelling is precisely the same whether the dwelling be large or small, protected or unprotected, then we may expect the same number of losses per thousand risks from inherent hazard in all of them; and the amount of loss in the different groups will largely depend upon the efficiency of fire protection. For the sake of illustration, if we assume that \$1.00 would be a fair basis rate for a group of dwellings exhibiting an average loss to amount of insurance involved of 44 per cent., then it might be inferred that 25 cents would be an adequate basis rate for the group giving an average ratio of 11 per cent., and that 40 cents per annum would be adequate for the group showing 17 per cent. If we are ever able to deal with our rates in such a manner, the result will likely be far more consistent and satisfactory than it now is. Certainly it will be immeasurably superior to the use of one basis rate of 60 cents per annum for four or five protected groups of dwellings, when the grades of protection vary greatly and competitors, bound by no agreements, are looking for opportunities to select towns and localities where a given average rate is high because the hazard is below the average. We have conspicuous examples in insurance statistics of the effect upon averages of uncommon incidents. In such cities as Stockton, Cal., which is under tariff No. 2, represent-

ing the third grade of fire protection, we might look for low loss ratios upon dwellings in ordinary years; but in the year 1902, when the burning of the Exposition building in Stockton resulted in the destruction of several blocks of dwellings in the vicinity, the loss ratio on the class must have been notably high in the entire group of Book 2 cities. However, the losses due to the exposure hazard are recorded separately, and the effect of such an incident can be carefully measured and need have no bearing on the consideration of the proper charge for the inherent hazard of dwellings.

There is another side to the matter, Mr. President. The Chairman of the committee has said, very emphatically, that we cannot use statistics for a short period. In one of the diagrams submitted yesterday, some of the results of frame business were shown in the territory east of the Cascade Mountains in Oregon and Washington. The average rates there are very high. There was no loss of any moment in four years on the classes selected; and yet there are many present who can remember the time when, year after year, heavy losses were incurred in these classes in the territory mentioned, and they must be expected to occur again. A record, therefore, showing no exposure loss in that group of towns, is of little practical value as a basis unless longer experience is taken into consideration. This is what was meant by the suggestion from Prof. Plehn, that statistical results, however carefully prepared, must be submitted for the judgment of practical underwriters, whose common sense must often set aside the conclusions apparently to be derived from the figures. Illustrations might be multiplied without number; but it seems to me that all we wish to show is that the cooperation of such experts as Prof. Plehn and his associates will be of immense value to the insurance business. They have the theory, with which we are not familiar; and they are always glad to give it in exchange for practical experience, which we do possess. [Applause]

The President—The next topic for discussion is "The Fire Hazard of Electricity." We will hear upon that from both an expert and a practical engineer, Professor C. L. Cory of the State University.

[Applause.]

THE FIRE HAZARD OF ELECTRICITY.

PROF. C. L. CORY.

I am particularly fortunate this morning in following the Paper and discussion of Prof. Plehn, inasmuch as his Paper will serve to introduce one of the important points connected with the subject about which I am to speak. It should be pointed out first and foremost, I think, that the reason we desire to discuss the fire hazard of electricity here is not because the use of electricity is particularly hazardous, but for the reason that electricity is so extensively used at the present time.

We are interested in the use of electricity commercially, and therefore discuss the fire hazard resulting from the use of electricity, not because its use is more hazardous than other forms of illumination or power, but for the reason that its use has become so very extensive, and the number of industries in which it is used necessarily renders the character of the installation for electric light and power of great importance.

The fire hazard of electricity is perhaps due more to the careless, ignorant and unworkmanlike installations than to the use of electrical energy itself. It is certainly true that the fire losses resulting from the use of electricity are very much greater in the places where it is utilized than in the power stations where it is generated. In such power stations the machinery is not only very carefully installed, but receives the most skillful attention. Unfortunately this is not true in many of the industries where it is utilized.

I have thought it best this morning to discuss in a general way, and certainly in a non-technical way, in so far as I can, the question that is before us, illustrating to you by some direct examples wherein the principal hazards exist in the use of electricity. In the sketch which I have made upon the blackboard, I have indicated by the first square the power or generating station. From this square there are a number of lines drawn, which indicate the distribution circuits, or pole lines, leading from the power station. The smaller squares to which these lines lead may be termed the "customers." By this simple illustration I wish to indicate the extent to which the transmission of electricity has been carried commercially, and to forcibly bring to your attention the distances and net work of circuits often existing between the location of the power station where the current is generated and the large number of places where the electricity is utilized.

Here in California, in many places we have power distributed from a central station, perhaps using the power of the mountain streams for

generating the electrical energy, this energy being transmitted for a distance of from 100 to 200 miles to the points of consumption. If this room were lighted by a tallow candle, everything in connection with the lighting system is maintained and controlled within the room; if, on the other hand, the room is lighted with electricity, and if this electrical energy were being transmitted from Amador county, the service here is but a small part of a very large system, and it is possible that a conflagration might occur in one of the buildings in San Francisco, the cause of which might be at any point of the entire system many miles distant. As a result, in all places where electrical energy is utilized, safety devices are used to protect each individual part of the system, so that any interruption which may result or any danger of fire which may exist is eliminated at the particular point or location where such undesirable condition exists. In other words, it is not only the tallow candle which must be protected, but in the case of the use of electricity, the entire system must be suitably equipped with protective devices.

Electrical engineers, architects, power station managers, as well as underwriters, have joined together in building up a distinct method of procedure for the installation of electrical machinery and appliances. These rules or requirements are set forth in the "National Electrical Code." Many of you are probably familiar with it. This code I think is an indication of what is the right and correct way of installing electrical apparatus of every kind under as many conditions as have been experienced by engineers and others in the utilization of electricity. The National Electrical Code is upheld by municipalities, by the best engineers and by all those most interested in the commercial development of electricity. It is, of course, upheld and insisted upon by the insurance interests. The code has been made up, as I have indicated above, not by a particular interest, but is the result of the efforts of all persons interested in any manner with the utilization of electricity commercially. While the National Electrical Code is not perfect, yet it does very clearly indicate what is the best character of installation to make.

It is not particularly difficult to have an original installation put in as it should be. It is, on the other hand, a very difficult matter to be certain that after such an installation has been put in, someone, perhaps absolutely ignorant of the requirements of good construction, may make additions to the installation which not only endanger the particular location in which it may be installed, but other parts of the system that may be connected with it. In my opinion one of the greatest dangers resulting from the use of electricity arises from the fact that while the

original installation may be perfect in every respect, yet from time to time additions or changes may be made in this installation, resulting in a very dangerous system of wiring, not at all adapted to the conditions under which it must be operated.

Electrical engineers make extensive use of safety devices. If trouble occurs in the distribution system near the power station, we attempt to protect the machinery with automatic safety devices. If on the distribution end of a long distance transmission line interruption of service is caused by either natural or unnatural causes, we have devices in the power station which will protect it not only from the danger of fire, but perhaps the destruction of the apparatus there installed. Finally, where the power is utilized similar safety devices are installed, although naturally of less extensive character, but herein there exists a difference in the devices installed at the power house. Any automatic device should be from time to time inspected, in order that it may be at all times in proper working order. Naturally this is not at all difficult at the place where electricity is generated, but is very rarely properly attended to in the many places where electrical energy is utilized.

To enumerate perhaps in detail some of the fire hazards resulting from the use of electricity, it is well to begin at the power station. There is very little in a modern, well-constructed, electric power station to cause a serious fire hazard. At the present time the building, and particularly the floor and roof, is usually made of fire-proof material. Serious losses in electric power stations have resulted from the use of wooden buildings, equipped with wooden switchboards, the machinery being mounted upon wooden floors. At the present time the loss due to the destruction of a power station is not only confined to the losses resulting from the destruction of the plant, but in many cases as serious a loss results from the interruption of the service. Central station men have, therefore, generally adopted the practice of fire-proof construction wherever possible in the central power station.

The distribution system from the power station may be underground or over-head construction. Wires are only placed underground in cities and in many cases only in a portion of the business and residence district. Pole lines are extensively used. One of the great dangers of electricity is due to the fact that all wires of every character that are put on poles are not put up in the same thorough manner. An electrical power company is careful to build a pole line so that under the most adverse circumstances the wires will not become dislodged, the insulators broken, and an interruption of the service caused thereby.

The same thing unfortunately cannot be said of the telephone companies. The fire hazard of electricity resulting from any interference of service on the outside circuits from the standpoint of the electrical power station men themselves is not great, but telephone wires, particularly in small cities, increase the danger greatly. There are always more telephone wires than electric light wires, and while it is perfectly true that the telephone wires themselves are not dangerous, on the other hand when any of the telephone wires become crossed with the electric light wires, the fire hazard, as well as the danger to life, is enormously increased.

We have, of course, danger resulting from lightning, which, while not very serious in California, yet is such that in very high voltage installations, lightning protection is installed, not only at the point where the power is generated, but also at the principal places where the power is utilized.

The most important point in connection with the subject we are discussing this morning is the fire hazard which results in the utilization of electric light or power. Fires have resulted, where electrical power is used due to the overheating of the bearings of the machinery, a hazard, by-the-way, which is a dangerous one where long lines of shafting are operated, particularly in manufacturing plants. Many destructive fires have been caused due to overheating of bearings, and while this is not in any manner connected with the utilization of electricity, it is a point which should be considered.

An electrical installation in a residence, office building or manufacturing plant receives very little attention or inspection after it is once installed. As long as uninterrupted service results, no particular interest is taken by any of the persons using the power, and it is used as long as it will hang together. In many cases the wires are inaccessible and may be located in portions of the building that are not visited for considerable periods of time. Necessarily, therefore, the installation of electrical apparatus of whatever character should be done in the most thorough and workmanlike manner, and particularly if any additions are made to the installation, these additions should be put in in the same thorough manner as the original installation.

The standard of electrical construction to-day is not the standard which was thought to be satisfactory ten years ago. As higher voltages have been introduced, the appliances which we thought to be fully sufficient for all purposes have been found inadequate. There are many places, however, where electrical energy is utilized using the systems

installed many years ago. It is necessary to make alterations from time to time, not because the first installation was not satisfactory when first put in, but because we have from experience learned that many devices cannot be depended upon which we thought to be satisfactory in the early days of the use of electricity.

You have heard no doubt many times of a fire being caused by "crossed wires." I thought you might be interested this morning to learn exactly what is meant by "crossed wires." The electric arc, which is the common form of street lamp, is made by bringing together the points of two carbons, such as I have in my hands. The arc light consists of the heated vapor resulting from bringing the ends of these two carbons together and allowing a current of electricity of the proper magnitude to pass between them. In an arc lamp the distance between the points of the two carbons is maintained at about $\frac{1}{8}$ ". When the current is cut off the two carbons drop together. The arc resulting from the contact of the two carbons is, if you like, the same as would result if two wires were crossed.

I have here a small switch to which is connected two insulated wires. As installed in the building, the voltage between the two wires would perhaps be 110 volts. They are separated by the proper distance, usually not less than three inches, and at no place in the installation are the two wires allowed to touch. If, however, the support of either one of the wires should become broken, and the insulation be imperfect, the wires would come in contact, the current would then pass across this contact, producing an arc, as in an arc lamp; and, unless the system were protected by fuses, which I will explain later on, a fire might result. Please bear in mind that these two wires may be installed between the ceiling of one room and the floor of the room above, or perhaps in a dusty attic filled with roof trusses and other combustible material, and it is not difficult to understand the serious consequences resulting. To be sure, the wires put in buildings are covered first with the very best rubber available, thereby protecting them from moisture. On top of the rubber there is placed a canvas sheath for mechanical strength, this canvas sheath being soaked in some sort of material similar to asphaltum.

To prevent such occurrences, a fuse block, one of which I have in my hand, is put in. It is quite a simple contrivance, and may be familiar to many of you. The current is conducted through the block by two small wires made of lead or solder. In the fuse block I have here these wires are about 1-16" in diameter. As soon as a cross results in any of the system protected by this block, the fuses, as they are styled, are sup-

posed to "blow" or burn out. This is caused by the excess of current heating the fuse wire and melting it. The temperature at which this fuse wire melts is so low as not to set fire to the ordinary combustible material near by. In order to protect the fuse block still further, a cover, as you see, is included, this cover being made of porcelain, so that the entire fuse block is practically fire-proof.

Many times a careless or foolhardy attendant will substitute copper wire in these fuses for the solder wire. On the other hand, fuse blocks intended for use, to control twenty or thirty incandescent lamps, are many times used where two or three times that number of lamps are installed. The fuses belonging with such fuse blocks will only blow out on account of being over-loaded, and, if the attendant uses a larger fuse wire than the box is designed for, instead of the wire melting, an arc may be set up between the two contacts, and have all of the dangers of crossed wires, without any protection whatsoever. These points may be summed up in the statement that every electrical installation should be adapted for the use to which it is to be put, and that changes should not be made without the proper construction of all devices.

We have had here in California, and I dare say many of you have been interested in some of the points brought up, one or two discussions regarding the fire hazard of particular installations. One of the most important has been regarding the use of 500-volt grounded street railway circuits for furnishing incandescent lights and motors in buildings.

It is necessary to understand what is meant by a grounded circuit. If the wire I show you here is in use for carrying current, and by accident or otherwise a connection is made from the solid copper to the ground or to the earth, a "grounded circuit" results. The entire system of wiring to which this particular wire may be connected is in direct contact with the earth. This may occur in a number of ways. A wire crossing a water pipe or gas pipe may have the insulation impaired and come in direct contact with the earth through the system of piping. In street railway work, one terminal or wire of the system is connected to the rails, this being done in order to economize in the amount of copper required for transmitting the electrical energy required. In an electric railway system, therefore, we may consider if we chose that the trolley is the return circuit, the rails being the circuit leading from the power house. Any metallic contact between the trolley and the earth would result in a transfer of electrical energy, which in the street car is the regular method of delivering current to the motors. If a wire is brought in contact with the trolley, the other end of which is in contact with the

earth, there is again the case of "crossed wires," a connection, in other words, between the trolley and the rail.

In ordinary distribution systems for electric lighting, we carefully avoid grounded circuits, because if we utilize grounded circuits in a building, a contact to earth with the ungrounded wire, corresponding with the trolley of the street railway system, would mean "crossed wires" again. If both wires were free from grounds, however, it would be necessary to have faulty insulation in both, in order to have the same result as a failure of one wire in the above case.

Another point which must be borne in mind, is, to speak technically, that the street railway system is operated at a higher voltage than the ordinary incandescent lighting system. Five hundred volts is the pressure usually employed for street railway work, while 100 to 200 volts is the ordinary voltage employed in incandescent lighting systems. The ordinary devices, therefore, used for incandescent lighting are designed for circuits where the pressure does not exceed 200 volts. Unfortunately, where incandescent lighting is done from 500-volt street railway circuits, the same low voltage devices are used, which, while they may be perfectly satisfactory and safe for 200 volts, would probably in time be destroyed by the excessive arc resulting from the use of 500 volts.

The use of transformers has also been discussed at considerable length by those interested in insurance matters. The technical description of a transformer, if you will allow me, is not of particular interest to you. It consists usually of a case containing an iron core, copper wire, and a little insulation. Transformers are either used dry, or the cases are filled with oil. While I do not think any of you would care to have a tank containing ten to fifty gallons of oil in your basement, yet it is not an uncommon thing to find an oil transformer not only located in the basement, but in a building having a wooden floor, and the transformer perhaps surrounded with combustible material. Transformers are not necessarily dangerous from an electrical standpoint; they are perhaps dangerous from the oil standpoint. I do not wish to be understood for one moment that oil transformers are not the proper thing; they are, and they probably always will be, but we should install a transformer in such a way that if, for any reason, it takes fire or burns out, no possible damage to the building or its contents will result. This can either be done by locating all transformers outside of buildings, or, if they are put in a building, surrounding them by a fire-proof construction, eliminating entirely the damage of loss from smoke or fire.

In California transformers are utilized on every high voltage circuits. To explain briefly what is meant by high voltage, I would have you think for a moment of a lightning stroke. A lightning discharge results because the voltage between two clouds perhaps becomes so great that a discharge of electricity occurs from the one cloud to the other. In many cases on long distance transmission lines, the voltage is so high, that electrical conditions approaching the lightning discharge must be successfully met, and we protect all wires, switches, etc., with the greatest care. When 40,000 to 60,000 volt wires are installed in any system, we may expect an arc to be formed, the length of which may be from three to six feet. While it is not true that the arc will jump ordinarily to this distance, in many cases it may be maintained, if the circuit is broken, through a much greater distance. In order to overcome this difficulty, oil switches have been devised, and, although very much larger, are similar in every respect to the small switch I show you here, the contacts, however, being immersed in oil.

You will appreciate, I am sure, the necessity of the use of oil in such devices, but to eliminate as far as possible the fire hazard resulting from the use of oil switches and oil transformers, it is necessary to install these devices in the proper manner, and at the same time use the best kind of oil obtainable for the purpose.

(Applause.)

Mr. Gibbons—I would like to ask Professor Cory what the effect of a thunderbolt would be upon any installation that might be connected with some of these long distance transmission plants. In the mountains where these plants are located there may be quite a little lightning, whereas down in the Sacramento valley, or the Santa Clara valley, there is no lightning whatever. Would it be necessary in these distant places to provide against the lightning? Would the condition of electrical current from the lightning be such as to cause damage at this place where it had not been guarded against, say in the valley?

Professor Cory—Yes, it would. A transmission line, having no connection whatsoever with the electrical machinery in the plant, might become charged with electricity from the clouds, the amount of electrical energy thus stored in the transmission line being such that it would be dangerous to handle the switches connected therewith. Both ends of

the high-tension transmission line should be protected from lightning. This protection usually consists of devices whereby the electrical energy is discharged to the earth, without doing damage to the machinery itself. The devices are not so very different from the old lightning rod idea, making it possible for the lightning to discharge through points to the earth continuously, instead of having a much greater discharge take place with a correspondingly greater effect at some later time.

Mr. Gibbons—The principal point I wish to make is this: In places such as San Jose, and a number of others, where there has not been any particular attention paid to the proper installation of electric wires, those people, never having seen electricity anywhere around, would apprehend that they were immune from any dangers from the electricity, and, if they were asked about lightning arresters, they would probably be left out upon the ground that they had no lightning there. Would the lightning from other districts at long distances away, in the case of long distance transmission, have to be guarded against?

Professor Cory—Lightning in Amador county might do damage to no other point but in San Jose. A few years ago in California electric plants were built without lightning protection. At present, however, protection from lightning is installed, both at the receiving and generating end of the transmission line.

Mr. Devlin—Would you elaborate a little more upon the transformer, Professor Cory? I understand now that it is almost necessary that it should be placed outside of the main building. Is there any danger, or what is the danger, from outside influences causing the fire to take place in the transformer itself? Is there a possibility of such a thing occurring? We have had a number of fires, and, as far as I know, they have been caused by the transformers, and, I think, now in the mining districts, that they are now locating most of the transformers outside the main buildings.

Professor Cory—In general where very large oil transformers are involved, and I take it you have those in mind when you speak of the

mining districts, it certainly is very much better, if possible, to locate these transformers in a separate building, particularly if they are what are known as high tension transformers, meaning transformers used on circuits having a pressure of between 10,000 and 40,000 volts. In most of the power houses which are being constructed at the present time in California, in fact on the Pacific Coast, I think transformers of the high tension type referred to are being installed in a separate building from the general power station. I do not mean to convey the idea that in every case transformers must be located outside of buildings. Transformers for use on circuits, the pressure of which do not exceed 2,000 volts, may, if properly protected, be installed inside of buildings. This should be done, however, in such a way, and be located in such a place, that no damage can result, not only from the burning of the transformer, and the oil as well, but eliminate absolutely the loss which may result from smoke.

Mr. Driffield—I was going to ask Professor Cory the same question Mr. Devlin did. On the Feather river they use electrical machinery, and transformers are used, and I think in almost every case of loss—and there have been numerous losses—they have laid it to the transformer. The transformer has been the probable cause of the fire, but, from what you have said, it seems to me that it is only in cases of carelessness that a transformer can be a dangerous thing. That is what I want to get at. In other words, they are always necessary. This oil tank is necessary, and if the oil is kept clean, if the surface is kept clean, and no gases are allowed to accumulate in the receptacle in which the tank is laid, and other requirements that you speak of are observed, it would appear that there would be no inherent hazard in the transformer itself. That is the point I want to be made clear about. There is no inherent hazard from electricity in the transformer itself, do I understand?

Professor Cory—I do not think that that is a quite true statement of affairs. To take the case you speak of—I happen to be rather familiar with the Feather river dredging district. The transformers there used are high tension transformers; that is, they are supplied with current of

between 4,000, and possibly in some cases, 10,000 volts. For the most part, these are located in small sub-stations, and current is taken to the dredgers through cables at a pressure of not to exceed 1,000 volts. On the dredgers themselves there are often located small low-tension transformers to provide current at a low voltage for the incandescent lights, as well as small motors. These small transformers, I think, have no inherent danger in themselves, for the reason that in the use of such low potentials the transformers are in the first place very small, and there does not exist a serious danger of setting the oil afire as a result of a breakdown in the insulation. In the particular district on the Feather river, about which you speak, many interesting points have come up, and it is undoubtedly better to locate the high tension oil transformers in a separate building off of the dredgers entirely. Another desirable thing, if it is possible, is to arrange that the oil in case of fire may be turned out of the transformers and allowed to escape instead of being left to burn in the cases. In the case of such an oil transformer the oil is by far the most dangerous portion of the entire apparatus.

Mr. Devlin—What I want to get at is this: I probably could illustrate it by an example. A fire occurred in Helena, Montana, years ago, where they were carrying about 14,000 volts into the building, and they had four transformers with which they were supplying the city of Helena with light and power, and it was claimed that a stroke of lightning occurred outside, that it carried into the building, and that it went into the transformers, and the transformers being filled with oil, that that caused the fire. Of course we never could prove whether that was so or not. What I want to know is, where the danger is, where the high voltage is carried into the transformer, is there any danger in the transformer itself of fire taking place by reason of high voltage or unusual heat in there?

Professor Cory—Extremely high voltage oil transformers are undoubtedly more dangerous, from an insurance standpoint, than low voltage transformers. The fire at Helena may have been caused by

lightning; the high voltage must necessarily cause the larger arc, in case of a breakdown in the insulation, and, therefore, greater danger of setting the oil afire than a low voltage transformer. Oil is used in large, high tension transformers for two reasons: The first, because of its insulating properties, and, the second, because the circulation of the oil tends to make the transformers run at a lower temperature. The oil serves to carry the heat from the iron core and copper wires of the transformers to the surfaces exposed to the cooler air, thereby materially assisting in the transfer of heat from the transformer proper to the surrounding air. Care must always be taken in the operation of oil transformers that the load is not so excessive as to over-heat the entire device, resulting perhaps in igniting the oil.

Mr. Scott—That is the inherent danger to which Mr. Devlin referred—to the over-heating of the oil. That would be an inherent danger, would it not?

Professor Cory—Yes.

Mr. Brown—That comes by over-loading the transformer, as I understand?

Professor Cory—Yes.

Mr. H. McDonald Spencer—Can you indicate briefly to a special agent what he should look at in inspecting a building, or, in view of the fact that he cannot know the voltage, and does not know the various accidents that may occur to a system before it reaches his building, is such inspection of any value whatever beyond an evidence that he is busy?

Professor Cory—I don't know exactly how to answer that question.

Mr. Spencer—In the first place, what is he to look at, and, secondly, is it of any practical value to look at it by a non-expert?

Professor Cory—I should say the first thing to look at would be the safety devices. I do not care how much of a layman one may be, he can look at devices like these (illustrating), and see whether they are made

of wood or porcelain, and whether there is copper or solder wires in the fuse blocks. He can see whether the fuse block is complete or if the terminals have previously been burned by a serious arc. The next thing you can look at is to see if the wire is properly insulated with copper, or, if the insulation is merely canvas, ordinarily known as "weather-proof wire." In some small town you may find what is known as "underwriters' wire," the principal constituent of the insulation being asbestos. Rubber-covered wire should be used in buildings always where the wiring is concealed. You can also look to see whether wires are suspended by means of wooden cleats or porcelain, as they should be. If resistance boxes are used, you can see if the frames are made of wood, or of slate or iron, as they should be. Your question also involves the point as to whether such inspection is of value. I should say, yes. If the inspection were conducted on these simple lines I have mentioned, it would be of some value. If, however, it is desirable to ascertain whether the entire installation is what it should be, I am inclined to think that some one thoroughly familiar with the use of electricity, and the proper installation of the appliances to be installed therewith, should make the inspection in a thorough manner.

Mr. Devlin—Taking up the switches—I think in this matter a little learning is a dangerous thing, and I have been much interested in your address. We know so little about electricity that we are liable to fall into the difficulty mentioned. I have one question I should like to ask: Should we not practically prohibit the use of switchboards made of wood?

Professor Cory—Yes.

Mr. Devlin—I think that would be necessary, especially as you have explained the danger resulting from the use of oil switches. I know in all the new power houses they are usually marble and slate, but in the country towns they are still using wood.

Professor Cory—Of course, in many cases switches may be mounted on a wooden background. For instance, a 110 volt switch could be

safely located upon a wooden switchboard, but, in the power houses at the present time wood is not used in construction of switchboards, because the voltages employed are usually not less than 500 volts, and may be as high as 40,000 to 60,000 volts.

Mr. Devlin—I know at Helena they had a wooden switchboard there.

Mr. Scott—Do I understand you to say that there is no danger of melted lead about the fuses?

Professor Cory—With the melted lead alone, I think there is little danger. Many times, however, you have the terminals of the fuse block melted, and, these terminals being of brass, the temperature of the fused metal may be high enough to ignite such materials as wood or cloth. As I have indicated, in order to avoid such danger, all fuse blocks are protected by a porcelain cover.

Mr. Scott—But that has to be either a brass cap or a porcelain cover.

Professor Cory—They must be covered with an insulating cover, either porcelain or mica; certainly brass should not be used.

The Secretary—In transformers, Professor Cory, and in using the switches immersed in oil, what oils are considered best, and what would be the life of the oil in the transformer, or how long should it remain in the transformer before being renewed and kept clean?

Professor Cory—The best oils at the present time in use are the petroleum oils. We require an oil which is rather liquid at temperatures at 100° and 150° Fahr. At the same time the oil must have a high flash point; that is, does not give off gas at a low temperature. The various companies manufacturing oil transformers have practically standardized their requirements in this regard. As regards any deterioration of the oil, there should be none, unless the oil becomes seriously overheated. If the oil is clean when it is put in, and maintained so, it is just as good after it has been in use for perhaps a year as when first put in. The oil may possibly dissolve some of the materials used in insulating the trans-

former coils, but the most serious thing which I have experienced is the collection of dust on the top of the oil itself. The scum, or material on the surface of the oil, is perhaps much more flammable than the oil originally put in the transformer.

Mr. Sexton—Mr. Chairman, a physician in a country where green cucumbers made a great deal of trouble, was asked by a lady who had a large family how to prepare the green cucumbers so that they would be palatable, and at the same time safe as an article of food. He told her to take the cucumbers and peel them carefully and put salt and pepper on them, put them in water over night, and then throw them out to the pigs in the morning. The professor stated the whole matter when he stated that the proper thing to do with these oil transformers was to put them some place where, if they caught fire, they could not do not any damage with their flame or smoke. If you will follow that, you will save all these scientific questions, and save having any more questions of that character.

The Secretary—That is all very well, but in electrical construction the transformers are not always placed in separate buildings, and so we will have to contend with the matter as it is.

Professor Cory—I certainly appreciate the story, because that is a very good thing to do. But there is just one point in that connection. We did not know five years ago as much about oil transformers as we do now. We have many oil transformers now in use to deal with. As a man interested in electrical power and in transmission, I know perfectly well that it is absolutely impossible to throw those cucumbers to the pigs, as it were, at the present time. The power companies cannot readily, under many circumstances, make the changes that we desire to have made. As to the new installations, there is no doubt that the best plan is to throw the cucumbers to the pigs. But for the present time, we will have to bear a little bit, until we get something better to eat.

Mr. Sexton—I am afraid I am misunderstood. I want to be understood that these oil transformers shall be placed where, if they do burn,

they can do no harm beyond themselves. Your recommendation will meet with the approbation of every insurance man that runs across these matters. Mr. Lowden could tell you an insurance story about one of these cases where he examined one of those brick buildings. It was brick from bottom to top, a slate roof, on iron trusses, and a cement floor. The building was worth about \$6,000 or \$7,000. The insured only took out \$1,000 on it, and the contents were insured, I think, for \$12,000 or \$13,000. It had these transformers in it. There was a fire, and the building was a total wreck. The fire got in and could not get out, except through the transformers, which went up in smoke. The building was built with sills, twelve inches square, with brick walls to make it positively safe, and the whole thing was a total loss. I cannot tell you the whole story, but there is enough of it to show that they remind me very much of shot-guns—they are perfectly safe when they are not loaded. But there are so many contingencies that come up in connection with these transformers and all of this electrical equipment, that it does not seem possible to prevent the fires. Your statement has told us more about the dangers of electricity than we have ever heard before, and this matter of first-class installation, such as putting the wires between the studding and between the joists and into the garrets, where they cannot be seen, and your statement that those wires will rust out after awhile, and they will become crossed, and so on, reminds me very much of a story that I heard when I was a miner fifty years ago. Somebody had found a little place away down on the river where he could make "grub," but in going there, he had walked over a very valuable place indeed, and he remarked that if the man's foresight was as good as his hindsight; he would know a dam site. And we find that is the case when we get hold of a loss, where the wires in the first place, for instance, are put either in a garret, or where they cannot be found, and at the end of fifteen or twenty years, they are worn out, no matter how well they are installed, and the fire is not discovered until it has got so far along that we make a total loss. Consequently, as an outsider, I have advocated and pointed out for four or five years the principle of what is known as mill construction in the East, that there shall be no hollow

places, and that the wire shall be placed on the surface in every building, except where they go through a partition or ceiling, and that there they should be properly protected with this non-fusible metal, and then, when the fire starts, we will see it, and it won't be hidden until the loss becomes total. To my non-scientific mind, this is the only remedy there is for the electrical hazard; that, and the increasing of rates materially.

Mr. Gunn—The matter of practical inspection, as suggested by Mr. Spencer, suggests a thing that I happened to have under my observation. A landlady is fitting up a little room called the ladies' tea room, where they can go in to press out their lace collars, and she fitted up an electric wire for an electric iron. One of them went down, and did a little work with it, and set the iron down on a box, and in a little while it was afire. That is one thing that I know—there are a good many of these irons being used in laundries and private houses. In fact, I was going to get one myself, but I don't know whether I have got enough insurance to stand it. I heard a funny story the other day. In Seattle we have what is known as the Inter-Urban, where we get the power from the third rail. In starting off on that road, we killed three or four men before the general public got on to the danger. A lady from the country came into Seattle, and she had been reading about those accidents, and she came to one of our Hibernian policemen, and was very much afraid to go across the track. She said: "Officer, if I put my foot on that rail, will I get a shock, and will it kill me?" "No, madam," replied the officer, "unless you put your other foot on the trolley." (Laughter.)

Mr. Devlin—Professor Cory has been very kind to give us so much time, and I think he must know how eager we are to learn, to get information in regard to the electrical hazards. In the President's address, if I am not mistaken, he recommended that at some time during the year we should get different ones with technical knowledge, or special knowledge upon certain subjects, to come before us and give us lectures. I think I voice the sentiments of all the members present when I say that if that committee is appointed, and that matter is brought up, that

I hope they will carry out the President's recommendation, and I sincerely hope we may have the pleasure of having Professor Cory before us again.

(Applause.)

The President—I think we all recognize the debt of gratitude that we owe to Professory Cory. He has been more than kind, and will be, I am sure, always willing to do what he can for us. It is a little too bad to press a willing man, but we certainly appreciate his kindness.

Professor Cory—I wish to thank you very much, and say that it has certainly been a pleasure for me to talk these matters over, as we have. I do not want you, however, to get the impression that electricity is the *only dangerous*, or that it is a dangerous thing. I want to impress upon you the first point spoken of, that the extraordinarily extensive use of electricity is the reason that we are particularly interested in it from an insurance standpoint. As used for lighting and power, I believe electricity possesses fewer risks from an insurance standpoint than other forms of energy which are in use.

The President—As the hour for adjournment has already long since passed, if there is no objection, we will now stand in recess until two o'clock this afternoon.



Afternoon Session.

The President—The convention will please come to order. I mentioned in my opening address to what an extent the higher educational institutions are taking up the question of fire insurance as a science. That you may hear what work is being done on the Pacific Coast I will say that Mr. A. W. Whitney, of the Mathematical Department of the University of California, is starting an insurance branch in our State University, and has had occasion and opportunity to investigate what is being done elsewhere. It is with very great pleasure that I introduce him to you. He will read his Paper upon "University Work in Insurance."

UNIVERSITY WORK IN INSURANCE.

ALBERT W. WHITNEY.

A few years ago nothing was being done by universities in the field of insurance while now half a dozen or more have turned their attention to it. I took pains last summer to visit several of these and to talk over the work with the men in charge.

At Harvard there is a course on insurance given by Prof. Wambaugh of the Law School. Although this is a general course Prof. Wambaugh naturally emphasizes the legal side of the subject. The class is not large, but is carefully selected; the students are thoroughly interested and do excellent work.

At Yale an insurance course is being given this year for the first time. The nearness of New Haven to such insurance centers as New York and Hartford made a plan possible that would scarcely be feasible elsewhere. The course is to last through the year. One of the two meetings of the class each week is given up to a lecture by some well-known practical insurance man. The other hour is devoted to quizzing and to filling in the gaps that have been left by the lecturers. For this term this part of the work is in charge of Mr. John Gaines of the New York Life Insurance Co. The list of special lecturers includes the names of John K. Gore of the Prudential, Walter S. Nichols of the Insurance Monitor, J. B. Lunger of the Travellers, Richard M. Bissell of the Hart-

ford Fire Insurance Company, A. A. Raven of the Atlantic Mutual Marine Insurance Co., J. M. Allen of the Hartford Steam Boiler Insurance Co., S. C. Dunham, President of the Travellers; John M. Holcombe of the Phoenix Mutual Life Insurance Co., John F. Dryden, President of the Prudential; John A. McCall, President of the New York Life, and J. W. Alexander, President of the Equitable. These lectures are being published in full in the Yale Alumni Weekly. So many students presented themselves for enrollment when the class was formed that the number had to be limited.

At the University of Michigan work was begun last year for the first time by Prof. Glover of the Mathematics Department. Prof. Glover gives several courses; one of them is in the law school preceding the work on insurance law. Prof. Glover has perhaps emphasized the mathematical side of the subject and his work has, I believe, been mainly with life insurance. The work has been received with great interest.

At the University of Wisconsin the work is in charge of Prof. Meyer of the Economics Department. It is natural that he should pay particular attention to the economic and sociological side of the subject. There was a class last year of forty that did excellent work.

At Cornell there was a course of lectures given a few years ago by Mr. Charlton T. Lewis of the Mutual Life Insurance Co. of New York, but I do not know that they are being followed up at present.

There is a course on insurance being given this year at the University of Chicago, I believe; at least it was being planned for last summer. Work in insurance is likewise being carried on at the University of Illinois.

At Armour Institute in Chicago matters have developed along quite another line. A four-year course in Fire Protection Engineering has been started this year. This is an outgrowth of the work of the Fire-Protection Committee in its laboratory. W. H. Merrill Jr., is in charge of this work at Armour Institute. The earlier part of the course consists of the fundamental subjects of an engineering course. The latter part consists of work in mechanical, electrical and civil engineering, with especial attention paid to construction of buildings, the testing of fire-prevention appliances, and such matters. The laboratories of the Fire-Protection Committee will be used in connection with this course.

The work, by the way, at the laboratories of the Boston Manufacturers' Mutual Co. is closely connected unofficially with the Institute of Technology, and it is possible that this may lead sometime to such work being done at the Institute.

At Berkeley we have had for several years in connection with a course in the Theory of Probabilities several weeks of actuarial work in life insurance, and in fact we have turned out one or two men who have gone into actuarial business. This year for the first time the actuarial work has been taken out of the probabilities course, made a half-year's course by itself, and broadened to cover insurance in general. The course is preceded by a half-year's course in Theory of Probabilities, and should be taken in connection with Prof. Plehn's year-course in statistics. These three courses are designed especially for students in the College of Commerce.

And now let me say a few words as to just why we have begun this work and as to what we hope to do.

The particular reason for insurance being recognized by the Universities is that it has come to be such an important element in civilization. The heart of university work still is and always will be the making of culture, and culture is largely at least a sympathetic understanding of life. Insurance is such an important fact in our life today, it has such far-reaching economic and sociological bearings that its study can no longer be neglected as a possible element of general culture.

Our aim in the University will be far from that of training actuaries or producing agents. We shall be very glad if now and then a man elects to go into the insurance business, but our work is directed toward other ends.

In the first place it would of course be impossible for us to give technical education in insurance. And, secondly, a University is no place for getting a technical education anyhow. Whatever you are doing you cannot "learn the business," whether it is mining or banking, till you are out of the university. A university education is no way of getting past the necessity of beginning at the bottom. That is always the place to begin, and a university education only makes one able to take surer and more rapid steps upward. We have not time in the university to teach technical details which can be better learned outside, except in so far as they serve to illustrate general principles. Such general considerations on the other hand are hard to grasp after one has become involved in the details of active life.

But insurance has its larger aspects, its mathematical side, its sociological side, its economic side, its legal side, its historical side, all of which afford a legitimate field for university work, and mark me I say *insurance*. The business of fire insurance, of life insurance, of marine insurance and of all the other kinds of insurance differ in their details

completely, but the general principles involved are much the same in all.

We provide this course for students in the College of Commerce because we think a man who goes into business life should have thought of these things. That is we hope to make intelligent citizens instead of actuaries and agents. We hope for instance that the universities will be able to help to raise the level of popular thought upon insurance high enough so that much of the bad legislation of today will be impossible.

We are fortunate in Berkeley in being so near San Francisco for this work. We hope to profit by it; we shall hope to have some of you talk to our students occasionally; we shall continue to come to you for advice. We shall hope for your interest and cooperation.

[Applause.]

The President—In addition to the review of university work in insurance, Mr. Whitney has evolved in his own work a theory as to the application and operation of the co-insurance clause. I know we shall all be directly interested in the exposition of it. He is very anxious to have some expressions of opinion as to its practicability and as to its practical application. After he has presented the matter, we shall be very glad indeed to hear from the members present.

THE COINSURANCE CLAUSE

ALBERT W. WHITNEY

To one who has had any experience with actuarial work in life insurance it is an interesting question whether fire insurance cannot be put on some such basis. The solution of the actuarial problem in the case of life insurance has been of course immensely successful so that enormous businesses built on these theories have great solidity, and new refinements are being yearly introduced, such as the differentiation between variously hazardous occupations and places of residence, the insuring among nations with very different habits from our own, as in India and Japan, and the insuring of impaired lives, a most interesting and valuable field of work. Here the application of exact theory is abundantly justified.

In what way is the problem different in fire insurance? There is no question that fundamentally it is the same—a legitimate field for the application of the theory of probabilities. It differs only in this, its far greater complexity. In the first place there are more elements involved.

Until recently it has been the practice to insure only sound lives; that would mean in fire insurance only one class, say that of mercantile buildings of standard construction, standing alone. This new development, the insuring of impaired lives, is one of the first steps toward what corresponds to classification in fire insurance.

Then another element in fire insurance not found in life insurance is partial loss. There is no partial loss of life. The analogy must be sought in accident insurance. If a company were to undertake to insure against accident and death among a community differing vastly in race, habit of life, and physical condition, it would be closely analogous to the problem of fire insurance.

But in addition to the fact that the problem is intrinsically more complex in fire insurance than in life insurance on account of the greater number of elements, it is also complicated by the fact that these elements change far more rapidly. To be sure the developments of modern science and new thoughts about living are affecting human life profoundly, and tables of mortality come to need revision, but electricity and steel construction have been far more potent elements in disturbing classification of fire hazards.

But after all the complexity of the problem does not in the least remove it from the sovereignty of the theory of probabilities. The theory of probabilities is what we call in when our other analysis has gone as far as it can. We may, if we like, make no preliminary analysis, that is classification, at all. That is, we may insure a life without respect to age or health; we may insure a fire risk without inquiry as to the nature of the hazard. The theory of probabilities in both cases would solve perfectly the problem of determining the rate. But there would be a difficulty, a psychological one; young men in good health would refuse to insure, but very old men and consumptives would certainly insure; owners of fire-proof office-buildings would not insure, while the owners of powder-mills would insure up to the full value. The statistical basis for the rate would fail.

Of course the remedy for this adverse selection is classification, in the same way that the remedy for the shifting of a cargo of wheat would be the building of vertical partitions. But after the classification has been made there is no reason why the theory of probabilities should not be applied to the unanalyzed residue, no reason, unless it be the practical difficulty. But if we do not apply the theory of probabilities what are we to apply? To examine our statistics and draw the best conclusion possible from them is all we can do; but to do this is to use the theory of

probabilities. It is quite conceivable that the difficulty of the problem might make it unadvisable to employ certain refinements of the theory, but that does not mean that we are to give up entirely.

One excellent example of the need of a deeper analysis is the state of affairs that has resulted in the coinsurance clause. When you insure a dwelling-house you elect not to take into account in fixing the rate whether the owner takes out a policy for 30 per cent., 70 per cent. or 100 per cent. of the value of the property. And yet it is evident to an underwriter that the rate should be higher the smaller the ratio of insurance to value. Now this course is quite justifiable from the company's point of view, provided it does not result in adverse selection, although there may be discontent on the part of the insured because of the uneven distribution of the burden of fire-loss. That there is not more adverse selection is due to the fact that many who insure do not recognize the economic advantage of insuring for small amounts, but pre-eminently to the fact that this is lost sight of in comparison with the desire for protection at any price, particularly in the case of unprotected risks where the loss is likely to be large.

But when you come to the better class of protected risks, for example, fire-proof office-buildings, the owner says: "What is the use of insuring up to nearly the full value of my property when the chance is extremely small of any large loss?" And there you have at once adverse selection, and to meet this the coinsurance clause. But the coinsurance clause is not the only solution of this problem, in fact the coinsurance clause as used in this country is at best only a partial solution. We shall reach a real understanding of the situation only by studying the relation between the ratio of insurance to value and the rate.

But let me say a few words first about the method of science. Seldom, perhaps never, is a scientific man able to solve the real problem before him; but he does not therefore abandon the attempt; he substitutes for the actual problem an ideal problem evolved from the other by means of certain simplifying assumptions. When he has solved this he considers how closely it may bear on the real problem, or perhaps he tries by further assumptions to obtain a still better approximation. No one, for instance, has solved the problem of the actual motion of a falling body, but if you imagine a body falling in a vacuum and make certain other assumptions the problem is soluble, and in this case may be a fair approximation to the solution of the actual problem. If we would apply the theory of probabilities to insurance our method must

be the same. If certain assumptions are made that seem at variance with facts they are made in order to get a problem that can be handled at all. The really pertinent question is as to how far our ideal problem throws light on the actual problem.

I propose the problem then in the following form: A man comes to me and says, "I have a building worth \$10,000; I want to take out \$4,000 worth of insurance." "Very well," I say, "I will insure your \$10,000 building for \$4,000, but you understand that I cannot afford to give you as good a rate as I could give you if you insured for a larger amount." I prefer, however, to consider a request for this or for even a smaller amount of insurance as quite natural and quite legitimate, in the same way that I should feel justified in asking a merchant to sell me a small amount of some commodity. In each case whether it was sugar or insurance there should be higher rates for the small amount, although in the two cases for entirely different reasons. If I should insist upon a 40 per cent. coinsurance clause it would be only to guard against the possibility that the proposed amount of insurance did not really cover 4-10 of the value.

I now propose to make the following assumptions. I will suppose that 50,000 dwellings, each of value \$10,000, are insured each for \$4,000 for one year, that the fire-record shows that during the year 1,000 of these are more or less damaged by fire and that the fire-loss is distributed as follows: 751 suffer damages less than \$1,000, say on the average \$500 (in reality less than \$500), 107 are damaged to an amount between \$1,000 and \$2,000, say on the average \$1,500—but let me exhibit this in a table:

	N	Loss.	AVERAGE LOSS.
1	751	Between \$ 0 and \$1,000	\$ 500 (in reality less)
2	107	" 1,000 " 2,000	1,500
3	47	" 2,000 " 3,000	2,500
4	30	" 3,000 " 4,000	3,500
5	20	" 4,000 " 5,000	4,500
6	16	" 5,000 " 6,000	5,500
7	12	" 6,000 " 7,000	6,500
8	9	" 7,000 " 8,000	7,500
9	5	" 8,000 " 9,000	8,500
10	3	" 9,000 " 10,000	9,500
	Total,		
	1,000		

I will call these numbers in the second column the Ns, in particular, the first N₁, the second N₂, etc. I may say that while this column of Ns as well as other values that I shall give later is based on statistics from the Reports of the San Francisco Underwriters' Fire Patrol, no practical conclusions should be founded upon them for the reason that these Reports give only value of *insurance*, not value of *property*. The necessity of assuming a relation between amount of insurance carried and property-value has introduced an element of uncertainty, and this table therefore cannot be depended upon as more than a very rough approximation to the truth. However, for the purpose of exhibiting a theory these figures serve as well as any.

Now let us from this table calculate the actual loss to the insurance company. This will be as follows:

751	losses of	.....\$ 500	=	\$ 375,500
107	" "	..... 1,500	=	160,500
47	" "	..... 2,500	=	117,500
30	" "	..... 3,500	=	105,000
20	" "	..... 4,000	=	80,000
16	" "	..... 4,000	=	64,000
12	" "	..... 4,000	=	48,000
9	" "	..... 4,000	=	36,000
5	" "	..... 4,000	=	20,000
3	" "	..... 4,000	=	12,000

A total of.....\$1,018,500

Let us now on the other hand calculate the amount received in premiums. It will evidently be just 50,000 times the value of the single premium that each policy pays. Let us suppose that we are providing for a rate that will just meet the actual loss, allowing nothing for expense; this can be allowed for later by loading. We may then equate the total fire-loss of the company to the amount received in premiums, and we have the following equation:

$$\begin{aligned}
 \$1,018,500 &= 50,000 \times \text{premium, or} \\
 \text{Premium} &= \frac{\$1,018,500}{50,000} = \$20.37
 \end{aligned}$$

This is the net premium that should be charged for insuring a \$10,000 dwelling for 4-10 of its value. But now in exactly the same way the premium might be calculated for insuring such a \$10,000 dwelling for any number of tenths of its value. We should thus be able to form a table of premiums all on a \$10,000 dwelling, but varying according to the amount of insurance carried. In practice the computing of these premiums by this method would be somewhat tedious; I will explain later how the process may be simplified.

The table for this particular set of Ns is as follows:

TABLE I.—DWELLINGS.

	N	P	R	%
1	751	\$12.49	\$1.249	291
2	107	16.40	.820	191
3	47	18.77	.626	146
4	30	20.37	.509	119
5	20	21.47	.429	100
6	16	22.21	.370	86
7	12	22.67	.324	76
8	9	22.92	.287	67
9	5	23.03	.256	60
10	3	23.06	.231	54
	1,000			

The first column gives the ratio in tenths that the insurance bears to the value. The second column contains the Ns. The third column headed P gives the premium on insurance to the amount indicated by the corresponding number in the first column. The fourth column headed R gives the corresponding rate per hundred. The fifth column headed % gives the percentage ratio that each rate bears to the 50 per cent. rate, that is the rate in the fifth row.

It is evident that the cost of insurance increases very slowly with the ratio of insurance to value, so that to insure a dwelling for its full value costs less than double what it costs to insure it for 1-10 of its value, and the cost of the last \$1,000 of insurance on a \$10,000 dwelling is actually only three cents. The rate per hundred falls accordingly.

These rates are based on the assumption that the ratio of insurance to value is stable, and since this is effected by the introduction of the coinsurance clause, at least so far as the company's liability goes, we

may say that these are the rates *with a coinsurance clause*. The fifth column shows that taking the rate with a 50 per cent. coinsurance clause as a basis there should be for a 60 per cent. coinsurance clause a reduction of 14 per cent., for a full coinsurance clause a reduction of 46 per cent., while a policy that covered only 10 per cent. of value should pay nearly three times the rate for 50 per cent. coinsurance.

Corresponding tables for other classes of risks are as follows:

TABLE II.—CONTENTS OF DWELLINGS.

	N	P	R	%
1	491	\$15.09	\$1.509	211
2	186	23.41	1.170	164
3	98	28.89	.963	135
4	59	32.80	.820	115
5	42	35.70	.714	100
6	35	37.83	.630	88
7	28	39.33	.562	79
8	24	40.31	.504	71
9	21	40.84	.454	63
10	16	41.00	.410	57
	I,000			

TABLE III.—BRICK BUILDINGS.

	N	P	R	%
1	925	\$10.20	\$1.02	440
2	55	11.15	.557	240
3	12	11.43	.381	164
4	4	11.55	.289	125
5	2	11.61	.232	100
6	1	11.64	.194	84
7	1	11.65	.166	71
8	0	11.65	.146	63
9	0	11.65	.129	56
10	0	11.65	.116	50
	I,000			

TABLE IV.—CONTENTS OF BRICK BUILDINGS.

	N	P	R	%
1	575	\$14.25	\$1.425	227
2	140	21.35	1.067	170
3	95	26.10	.870	139
4	60	29.30	.732	117
5	50	31.40	.628	100
6	35	32.65	.544	87
7	25	33.30	.476	76
8	15	33.55	.419	67
9	5	33.60	.373	60
10	0	33.60	.336	54
	I,000			

TABLE V.

	N	P	R	%
1	100	\$19	\$1.90	127
2	100	36	1.80	120
3	100	51	1.70	113
4	100	64	1.60	107
5	100	75	1.50	100
6	100	84	1.40	93
7	100	91	1.30	87
8	100	96	1.20	80
9	100	99	1.10	73
10	100	100	1.00	67
	I,000			

TABLE VI.

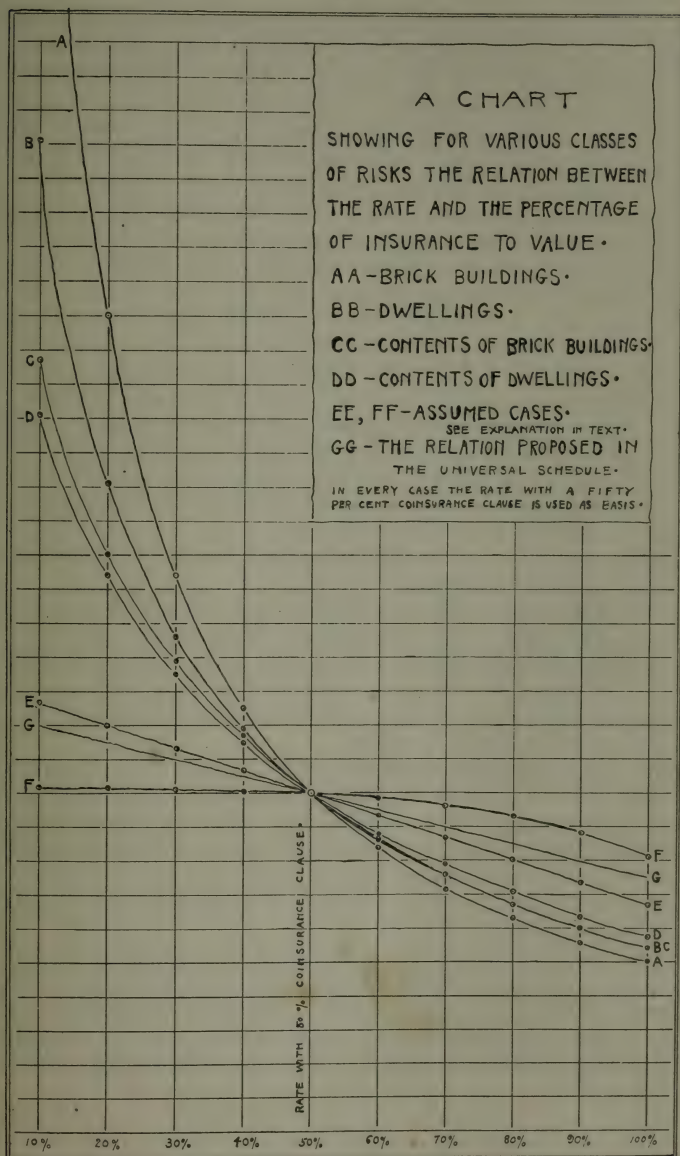
	N	P	R	%
1	0	\$20.00	\$2.00	102
2	0	40.00	2.00	102
3	10	59.90	1.997	101
4	20	79.50	1.987	101
5	40	98.50	1.97	100
6	70	116.40	1.94	98
7	100	132.60	1.894	96
8	160	146.20	1.827	93
9	240	155.80	1.731	88
10	360	159.40	1.594	81
	1,000			

The Ns in Tables V and VI are assumed. In Table V a small loss is assumed to occur no more frequently than a large loss—the Ns are all equal. The rate then decreases by a constant amount each time. In Table VI a large loss is assumed to occur far more frequently than a small loss—the Ns increase. The rate then decreases, but decreases very slowly.

The last column in each of these tables is exhibited graphically in the accompanying chart.

Ratios of insurance to value are represented by horizontal distances as indicated. The vertical distances between the base-line and a curve represent the rates corresponding to these ratios, the rate with a 50 per cent. coinsurance clause being taken in every case as 100.

In the Universal Schedule a reduction on non-fireproof buildings of one-half of 1 per cent. for each 1 per cent. of coinsurance in excess of 50 per cent. is recommended. This would give us, for instance, a 75 per cent. rate for full coinsurance. If we suppose corresponding additions made for less than 50 per cent. coinsurance we should have what would correspond to the fifth column in our tables. These figures plotted would give the straight line GG. The curves AA, BB, CC, DD show that the reduction proposed in the Universal Schedule is considerably too small, while a corresponding addition for less than 50 per cent. coinsurance would result in great loss. If objection is made



that the Ns in Tables I-IV are only rough approximations to the truth attention may be called to the fact that the reduction proposed in the Universal Schedule would be inadequate even for the case where the Ns are all equal, represented by the line EE.

It may be of interest to remark that it can be shown that for every case in which the Ns decrease the corresponding curve will be concave upward, while if the Ns increase the curve will be convex upward, but in every case the rate decreases as the ratio of insurance to value increases.

While the fifth column gives the ratios that the various rates should bear to each other one should notice that it is no less significant that the fourth column contains the *actual rates*. But you may say, "Why determine in this way the *actual rates* when we already have a method of determining a rate, viz., by dividing total loss by total amount of insurance carried?" The answer is that this is an average rate only applicable when no analysis of ratio of insurance to value is made. If we try to apply it to the more highly-analyzed case we are at a complete loss to know to what it applies; is it the basis rate for a 50 per cent. coinsurance clause or for an 80 per cent. coinsurance clause, or is it a rate for some certain percentage of insurance to value, but without coinsurance? The fact is it is none of these things; it is a rate that is based on an entirely different method of treatment and cannot be applied when we come to this finer analysis.

That is if coinsurance is to be taken into account this is not only the method for determining *relative* rates but also *absolute* rates.

Warning may perhaps once more be given that the rates deduced in Tables I-IV must by no means be considered to be correct; a far more careful working over of statistics would be necessary to make this of much more than theoretical interest.

The fact is the proper statistics have been found to be almost unobtainable. It is evident that *sound value of property* is fundamental in the theory of coinsurance; there would be no coinsurance problem if it were not for the element of property value; and yet no available statistics go further than *value of insurance*. It is hard to see how this subject can be satisfactorily handled till *sound value of property* appears in all the statistics of fire-loss.

While the coinsurance clause is particularly necessary in the case of stocks of goods liable to fluctuations of value the principle has been illustrated by other examples. In these cases the coinsurance clause might be dispensed with if cancellation were prevented. A proposition for insurance could then be treated more simply with manifest advantage.

METHOD OF COMPUTING THE TABLES.

Suppose **N** houses each of value **V** are each insured for $\frac{x}{10}V$, where **x** may be any number from 1 to 10. Suppose the fire-record for one year on these houses shows the following actual losses:

NUMBER.	LOSS.	AVERAGE LOSS.
N1	Between 0 and $\frac{1}{10}V$	$\frac{1}{20}V$
N2	" $\frac{1}{10}V$ " $\frac{2}{10}V$	$\frac{3}{20}V$
/	/	/
/	/	/
/	/	/
/	/	/
/	/	/
/	/	/
N _{x-1}	" $\frac{x-2}{10}V$ " $\frac{x-1}{10}V$	$\frac{2x-3}{20}V$
N _x	" $\frac{x-1}{10}V$ " $\frac{x}{10}V$	$\frac{2x-1}{20}V$
N _{x+1}	" $\frac{x}{10}V$ " $\frac{x+1}{10}V$	$\frac{2x+1}{20}V$
/	/	/
/	/	/
/	/	/
/	/	/
/	/	/
/	/	/
N10	" $\frac{9}{10}V$ " V	$\frac{19}{20}V$

Let P_x be the premium that should be paid on insurance for $\frac{x}{10}V$. Then equating amount received in premiums to total loss to the company we have:

$$\begin{aligned} N P_x = & N_1 \frac{V}{20} + N_2 \frac{3V}{20} + \text{-----} \\ & + N_{x-1} \frac{2x-3}{20}V + N_x \frac{2x-1}{20}V \\ & + N_{x+1} \frac{2x}{20}V + N_{x+2} \frac{2x}{20}V + \text{-----} \\ & + N_{10} \frac{2x}{20}V \end{aligned} \quad [1]$$

If the building is insured for $\frac{x-1}{10}V$, instead of $\frac{x}{10}V$, the corresponding expression is:

$$\begin{aligned} N P_{x-1} = & N_1 \frac{V}{20} + N_2 \frac{3V}{20} + \text{-----} \\ & + N_{x-1} \frac{2x-3}{20}V + N_x \frac{2(x-1)}{20}V \\ & + N_{x+1} \frac{2(x-1)}{20}V + N_{x+2} \frac{2(x-1)}{20}V + \text{-----} \\ & + N_{10} \frac{2(x-1)}{20}V. \end{aligned}$$

Subtracting we have:

$$\begin{aligned} N (P_x - P_{x-1}) = & N_x \frac{V}{20} + \\ & + (N_{x+1} + N_{x+2} + \text{-----} N_{10}) \frac{2V}{20} \end{aligned}$$

or

$$P_x = P_{x-1} + \frac{V}{20N} (N_x + 2N_{x+1} + 2N_{x+2} + \text{-----} 2N_{10}). \quad [2]$$

Thus we are able to calculate the value of each P from the one before it and the Ns.

$$\text{Now let } N_x + 2N_{x+1} + 2N_{x+2} + \dots + 2N_{10} = M_x. \quad [3]$$

$$\text{Then } N_{x-1} + 2N_x + 2N_{x+1} + \dots + 2N_{10} = M_{x-1}.$$

Subtracting we have :

$$M_{x-1} - M_x = N_{x-1} + N_x, \text{ that is}$$

$$M_{x-1} = M_x + N_x + N_{x-1}. \quad [4]$$

Thus we have a simple expression for each M in terms of the succeeding M and the Ns.

If then we can find M_{10} we shall be able to compute M_9 , and from this M_8 and so on to M_1 ; then if we can find the value of P_1 , we shall be able by [2], which may be written :

$$P_x = P_{x-1} + \frac{V}{20N} M_x \quad [5]$$

to calculate P_2 and so on to P_{10} by letting $x = 2, 3$ and so on.

But by letting $x = 10$ in [3]

$$\text{we have : } M_{10} = N_{10} \quad [6]$$

and by letting $x = 1$ in [1]

we have :

$$P_1 = \frac{V}{20N} (N_1 + 2N_2 + 2N_3 + \dots + 2N_{10})$$

or

$$P_1 = \frac{V}{20N} M_1 \quad [7]$$

Our working formulas are then :

$$M_{10} = N_{10}. \quad [6]$$

$$M_{x-1} = M_x + N_x + N_{x-1}. \quad [4]$$

$$P_1 = \frac{V}{20N} M_1. \quad [7]$$

$$P_x = P_{x-1} + \frac{V}{20N} M_x. \quad [5]$$

Let us apply these to calculating Table I :

TABLE I.

x	Nx	Mx	$\frac{V}{20N}Mx$	Px	Rx	%
1	751	1,249	12.49	12.49	1.249	291
2	107	391	3.91	16.40	.82	191
3	47	237	2.37	18.77	.626	146
4	30	160	1.60	20.37	.509	119
5	20	110	1.10	21.47	.429	100
6	16	74	.74	22.21	.37	86
7	12	46	.46	22.67	.324	76
8	9	25	.25	22.92	.287	67
9	5	11	.11	23.03	.256	60
10	3	3	.03	23.06	.231	54

Since then $M_{10} = N_{10}$, the last entry in the M column is 3; then, since $M_9 = M_{10} + N_{10} + N_9$, we have $M_9 = 3 + 3 + 5 = 11$, $M_8 = M_9 + N_9 + N_8$ or $M_8 = 11 + 5 + 9 = 25$, and so on. It is convenient to make

another column containing the values of Mx each multiplied by $\frac{V}{20N}$. In

our case $V = 10,000$, $N = 50,000$, so that $\frac{V}{20N} = \frac{1}{100}$. In the P column

$P_1 = \frac{V}{20N} M_1 = 12.49$, $P_2 = P_1 + \frac{V}{20N} M_2$ or $P_2 = 12.49 + 3.91 =$

16.40 , $P_3 = P_2 + \frac{V}{20N} M_3$ or $P_3 = 16.40 + 2.37 = 18.77$, and so on.

The R column, giving the rate per hundred, is gotten in this case by dividing P_1 by 10, P_2 by 20, P_3 by 30, etc. The % column is gotten by

expressing these rates as percentages of R5. While the Mx and $\frac{V}{20N} Mx$

columns are principally useful as steps in the calculation of the succeed-

ing columns, it is worth remarking that the $\frac{V}{20N} Mx$ column gives the

cost of each successive portion (in this case \$1,000) of insurance.

In practice it would be worth while to take account of the fact that the average of losses that are less than $\frac{1}{10}V$ is usually less than $\frac{1}{20}V$. This could be done by a slight change in the formulas.

The President—There is certainly one thing that Mr. Whitney hits upon that is a real difficulty to meet, and that is the question of values. Our committee recently, in endeavoring to find a practicable basis for a co-insurance clause, found the great difficulty to be the impossibility of ascertaining values. I am sure there are some of you present who have thought of these matters, and I would like to hear from you.

Mr. Kellam—I have been more than ordinarily interested, Mr. President, in these figures, for the reason that about two months ago on a chance remark of a friend of mine, I had occasion to follow up and examine our present allowances for co-insurance. The deeper I dug the less firm seemed the foundation. We seem to start off, as the result of a rather elaborate system of guessing, by an allowance of about one-half of one per cent. for each per cent. of co-insurance above fifty per cent., assuming that the basis rate which we undertake to carry a risk for, is made upon the further assumption that the property will carry about 50 per cent. of insurance to value. If we attach the 80 per cent. co-insurance clause the insured is entitled to about a 15 per cent. reduction in the rate, and if we attach a 90 per cent. co-insurance clause the insured is entitled to about a 20 per cent. reduction in the rate, and so on. As I say, that seemed to be the result of guessing, with a factor wanting, and Professor Whitney calls attention to that factor by raising the question of value. This missing factor of value is just as much missing in the calculation of the basis rate as it is in the calculation of the allowance for co-insurance. Without the valuation figure we can no more fix an equitable basis rate than we can the allowance for co-insurance, and I would be very glad if the Rating and Statistics Committees of the Board of Underwriters could see their way to evolve a plan by which in some simple manner, perhaps, we could ascertain the value of a large number of similar risks, and see what figures we could get and what kind of work we could do along that

line. Of course, I suppose there would be a considerable expense attached to the attempt to make a practical application of this theory, the expense of valuing a sufficiently large number of individual risks in order to get a basis to start with.

Professor Whitney—I should like to call attention to a thing which I did not emphasize when I was on my feet before. Of course, practically, it is this column of figures that is the most important (pointing to the % column in Table 1, page 159).

Mr. Kellam—I will show you what I mean on the chart. If we assume, for instance, that the basis rate is this figure here, based upon say 50 per cent. of value, our basis rate is .429 cents. Now if we attach the 80 per cent. co-insurance clause we come down to this point and get a reduction of 14 cents, or about 30 per cent.

Mr. Folger—Mr. President, Mr. Kellam suggested that it would involve some expense, and would be worth some expense, to build up statistics which would give a foundation for such tables. The only illustration of the kind which I have seen is in Mr. F. C. Moore's writings upon the Universal Mercantile Schedule. It is stated that he took it from the experience of companies in fire department cities. It is not stated whether the cities were few or many in number, or if an attempt had been made to determine differences, if any, between the experience in the city of New York and in places of far less efficient fire protection; nor is any information given whether the record depended upon, covered all classes of risks, or mercantile risks only, or was restricted to brick buildings and stocks therein. It can scarcely have been the latter, since the table assumed that 1-10th of all the losses would represent over 50% of the value; which is much higher than the proportion shown in the fire department statistics of San Francisco.

The only way in which the companies could build up the record desired would be through the statistical department which they now have; and the test of its feasibility is the willingness of the companies to perform work in their own offices. The Classification Committee devised

a form of loss report in 1898 upon which all companies make returns, giving the insurance involved and loss paid in each fire, direct and exposure losses being reported separately. At least three columns were cut out of the first form of the report proposed (one of them calling for the premium received on the policy affected) upon the theory that the information asked would be too much to expect. Certain it is that we have sometimes found it difficult to get what we have asked for. But if it were possible to add a column calling for the value of the property damaged or destroyed as shown in the proof of loss, it would lay the foundation for just such statistics as are needed for Mr. Whitney's tables. Up to the present time no statistician has been able to use any figures but those dealing with insurance and loss rather than the value. The daily reports from which our record sheets of premiums are made up could show the value of each risk reported ; but I take it that such a plan is quite beyond the possibilities at present. We neither have the value stated in every daily report, nor could we undertake to require it. However, in the case of losses, which hardly run over about twenty-five to one thousand policies, it seems to me that we could undertake to add another column in our loss reports if the members would undertake to furnish the values. They are shown in the proofs, and the only trouble is that office records do not provide as a rule for entering values so that they could be conveniently reported at the end of the month.

The point made by Mr. Kellam interested me most, that the reduction of a rate for increase in the amount of insurance from 50% to 80% of value, would be much more than we are accustomed to if Mr. Whitney's tables are anywhere near the truth. Take the example of electrical property insured under what are known as Modes 1, 2 and 3. It may be a long time before we have statistics with which to compare the reductions allowed at present, but they are of great importance. Under Book No. 4 we charge 2% per annum for brick electric light and power plants with the 50% co-insurance clause ; and we reduce this by 12½% for a contract providing for 80% insurance on building and machinery, and 100% on electrical motors and appliances. On the other hand, for a contract

with no restrictions as to the amount to be insured we only increase the 50% rate by $12\frac{1}{2}\%$; and in one instance in Southern California we have found insurance to represent only 16% of the value. It is clear that the rate charged for insuring 50% of the value should be very heavily increased in an instance where 20% or less is insured. I should like to add my thanks to Mr. Whitney for the work he has done and for the very clear way in which he has given this demonstration.

The President—We certainly owe thanks to Professor Whitney for the labor that he has expended, for the labor in giving us the theory, which certainly shows that there is a great deal of difference in the cost of insurance upon the different per centages of ratio between policy and property values.

Mr. Lowden—Do I understand that those figures are not based on any actual experience? I think there is a mistake in the minds of some of the members as to what Mr. Kellam said, and that is with reference to the case where a basis rate of 42 cents is had for 50 per cent. of value, and a reduction of 14 cents for 80 per cent. of value and 17 cents for 90 per cent. We cannot suppose that this is an illustration of facts.

Professor Whitney—Yes, this is purely hypothetical, and would not correspond to any actual state of facts. I will tell you how I arrived at these figures. I went through four yearly reports of the San Francisco Underwriters Patrol, and took out simply the insurance values and loss thereon. I took out those with less than 10% loss, those in which the ratio of loss to insurance fell say between 10% and 20%, those in which it was between 20% and 30%, and so on. When I got through I made this assumption, which is purely arbitrary, but I had to make some assumption as to the relation between insurance carried and property values, and I assumed that the insurance carried on the average was half of the property value on brick buildings. That is very likely not a good assumption.

Mr. Folger—It is too high.

Mr. Lowden—I simply wanted to get the thing straight in the minds of the members—that this is a matter of assumption, and if we are going to determine the value of the co-insurance clause, we must get the figures and fill in this column.

Professor Whitney—Yes. These are not entirely trustworthy facts, as they are based on statements that I should not want to swear by.

The President—It will be necessary for us to pass to the next Paper, which is entitled “The Fire Hazard of San Francisco,” by Mr. H. McDonald Spencer.

Mr. H. McDonald Spencer—Mr. President, and Gentlemen of the Convention: I was very much interested in Professor Plehn’s Paper, not only on account of its lucid discussion of a very interesting subject, but also because his conclusions fortified the position which I take myself in regard to the fire hazard in anything like comparative statistics. It must be handled very tenderly, and with copious explanations and verifications. There are two factors in a fire hazard of a town; first, the inherent hazard or combustibility, and second, the protection. And until we can get a common measure to apply between cities, we cannot estimate the value of protection. So any figures of that sort, or any satisfaction we have regarding the magnificent protection of the town, must be very delusive.

THE FIRE HAZARD OF SAN FRANCISCO.

H. MCDONALD SPENCER.

“San Francisco is like a bad man—you always have to hold a gun on him.” These were the closing words of the athletic chief of the Fire Department in an interview I had with him concerning the present condition and equipment of his brigade.

Constant vigilance is part of the price we have paid for our freedom from a catastrophe in recent years; for the rest Providence has been on our side.

Let us first consider and compare the fire protection of San Francisco. It is not my intention to unnecessarily burden you with detailed

figures, which are apt to divert and confuse the mind, but rather to give you the results and conclusions derived therefrom.

It may be interesting and useful, however, to present a brief summary of the apparatus and equipment at the present time.

There are now fully manned and equipped 38 steam fire engines, 37 hose wagons, 1 combination hose wagon and chemical, 10 hook and ladder trucks, 7 chemicals, 1 water tower, 2 monitor batteries; and in reserve, 14 engines, 17 hose wagons, 1 combination hose and chemical, 3 hook and ladder trucks, 2 chemicals, 2 water towers, 2 monitor batteries. The members of the Department are fully paid, and hose equipment sufficient for apparatus.

These figures, however, do not necessarily represent the efficiency of the Department, as they do not show the personal factor in the equation. The *morale*, discipline, and alertness of the brigade, from its most capable chief down, is unexcelled, and to this we must attribute much of our past good fire record. Fire drill is constantly going on in the towers for the purpose, and each battalion chief systematically inspects and reports on his division on an average of once every three to six weeks. These reports are supplemented by captain's reports for their districts.

Some of our apparatus, such as the new water tower, is, I believe, unique, and is of great assistance in fire where a heavy concentrated stream is necessary. In addition to the Gamewell system of fire alarm boxes, there are some 2,000 auxiliary alarm boxes which help the Department to quick action. The first five minutes in fire fighting is the most important.

The water system is low service, an average of about 50 pounds pressure being maintained at the hydrants in the congested and down town districts, and the supply is conducted through about 400 miles of mains, measuring from 3 to 44 inches in diameter. The hydrants now number 4,069, of which about 25% are double.

This supply is drawn from mountain streams and lakes of 29,000,000,000 gallons capacity, and fed by gravity and pumping to reservoirs, thence to the mains. The daily capacity of pumps is about 60,000,000 gallons. In addition to this, the Olympic Salt Water Company supplies several miles of pipe, and another company some small pipe in the southern part of town.

Estimating the present fire area at 25,000 acres, we have one active steamer to every 657 acres, and one hydrant to six acres. Comparing this with Boston, which is generally conceded as a model of a protected city,

and which has about the same fire area (23,000 acres), we find that the latter has one active steamer to 511 acres, and one hydrant to three acres. The reserve rolling apparatus in San Francisco is slightly in excess of Boston, and its fire area more sparsely settled. This offsets to a certain extent Boston's advantages in these respects. San Francisco's steamers are one to about 10,000 inhabitants, and hydrants one to about 100; Boston's engines being one to 13,000, and hydrants one to 80 of population.

The Eastern city has, however, an independent, high service, salt water system for fire purposes in the congested districts, and connected with fire boats, of which it has two. There is also a fresh water, high pressure system, which supplies independently a sprinkler and building pipe service, but not hydrants.

The relatively good position in equipment which San Francisco holds, about fifth in proportion of active rolling apparatus to area, as compared with other large cities, is delusive, as most of the latter have nearby towns or cities from which to draw in case of a general fire; while, with the exception of a little aid from Oakland and San Jose, we would have to rely on our resources. The advantage of this proximity was strikingly shown during the Boston fire of 1889; 58 steamers were drawn from outside towns, which more than doubled the apparatus of this kind in use before the fire was controlled.

Therefore, we should not have any sense of security from San Francisco's rank in equipment. We have practically nothing on which to fall back.

To mention briefly some of the things which have reduced the fire hazard:

The erection of brick or stone and steel buildings, which operate as fire breaks, and, when not too high, reduce the general fire hazard, as also does the maintenance of individual stand pipes and automatic sprinkler equipments. The Underwriters' Fire Patrol lessens fire waste, and this service in San Francisco is particularly efficient. The work of the Inspection Bureau, under Chief Porter, is performed with great thoroughness, and its value can hardly be measured. I would not dare tell you how many wooden ash pans have been removed since its inception, nor how many times these humble utensils, if placed end to end, would girdle the earth.

I do not hesitate to say, however, that of all the causes which have operated to better conditions, there is none so great as the Board of Fire Underwriters, and the application of schedule rating. By its definite

system of rewards for good construction, individual and general protective appliances; by its scale of penalties for deficiencies, and the better understanding brought about with property owners, all the constructive and protective virtues have been stimulated and the vices discouraged. And none is so great a gainer by this as the State and the public at large; for nearly all property destroyed is wasted, and is an economic loss to society.

Legislatures, instead of baiting this institution, should encourage it; but, as Lord Clarendon remarked: "The mob is almost always wrong, and when they are right, it is for a wrong reason."

The moderate climate of San Francisco is probably the strongest natural condition in its favor. The firemen are not hampered by excessive cold or frozen mains, nor is the rolling apparatus impeded by snow or ice, nor do spring thaws make heavy roads. As against this, we have the large proportion of wooden construction, high winds, badly paved streets, and steep hills in part of the city.

The greatest deficiency, however, aside from the water system itself, lies in the inadequacy of the service in certain districts. The total figures tell us little in this connection, as it is the distribution and size of the mains, with respect to the character of the hazards, which make them efficient or otherwise. Much progress in betterment has undoubtedly taken place in the last few years, but much remains to be done to bring even the existing system up to the capabilities of the apparatus of the Department. The rapidly building districts south of the park and on the western side of the peninsula are constantly outgrowing the service, and extending beyond the mains, and, while additions to the latter are being made, the protection is still inadequate.

The service south of Market street has been improved, but there is still only an eight and six-inch main on Bryant street, from Fourth to Ninth streets, in the mill district. Third street, with its congestion of frames, has an eight-inch main; and Fifth street, similarly constructed, has six and eight-inch pipes. Not less than twelve-inch mains should be laid in any part of this district.

The district bounded by Pine, Jackson, Stockton, and Market streets, and the water front, embracing Chinatown and some of the most important parts of the business districts, has principally four, six, and eight-inch mains on the streets running east and west, and, although Kearney, Sansome and Davis streets, have larger mains, the service for this and in some other down town parts is insufficient.

The water front, with its shipping, wooden wharves and warehouses, requires a proper fire boat in charge of the Fire Department, the two Government tugs, equipped for fire purposes, not being properly constructed, adequate, or always available.

For many years the south of Market street, particularly the mill district, was the bugaboo of underwriters. This has been improved of late by the enlargement of mains, the placing of additional hydrants around "bad" blocks, with retreat hydrants for the engines, if a fire should become too hot on the first line of attack. In other parts of this district the erection of modern brick and steel buildings has improved the hazard.

Now, however, there is a new and greater danger spot. Within the last few years there have been built many high wooden boarding and lodging houses in the district from Powell to Van Ness, south of California street, particularly on Sutter, Bush, Pine, and intersecting streets. The mains here, excepting on Bush street, are too small. This hazard is a menace to the entire northern part of the city, and is at present, perhaps, our most dangerous locality.

The President asked me to recommend certain boundaries by which the city could be divided into two or more conflagration districts. I regret the necessity for saying that I am convinced there is but one, and that embraces the business, manufacturing and residence sections—practically nine-tenths of the property value of the city subject to destruction by fire. A fire, with the proper start, could as readily jump Market as Leidesdorff street, though for ordinary fires the width of Market is a great advantage.

During the Baldwin Hotel fire, which left the outer walls standing, and in which the greatest heat was not on the Market street side, the Emporium building windows across Market street were cracked by the heat. It is easy to imagine what might occur from the cumulative heat waves of greater and longer continued combustion. Nor is Van Ness avenue a dividing line; for, even if the sides of the buildings could be protected, cinders might be carried to roofs rendered untenable by heat and smoke, and where the buckets of householders would not be available—the wooden roofs of the city always being a source of danger of fire spreading.

I intimated in the foregoing that the greatest deficiency in the protection of San Francisco was the water system itself and, while the inadequacy in the weak localities might be remedied, even this would still leave us in a defective condition. For, if a fire should engage all of the

steamers—and there are many localities where this might be necessary—there would be no means to cope with a second fire in another part of town. There is only one system that could meet such an emergency. It is needed for this and other reasons, and this it is the duty of the property owners to provide; namely, a high service water system in the congested and hazardous districts. With such a system, the increase in efficiency of even existing apparatus and men is obvious. Where the high pressure would be available, engines would not be required, and could be reserved for outlying districts; additional hose wagons could be held in reserve, practically without cost of maintenance.

There is no city more favorably situated than San Francisco for the establishment of a high service system, and the best method is an independent salt water service. A pumping plant could be placed at the foot of Market street, and the waters would be immediately available in any size mains required without frictional head. Boston uses its fire boats for pumping its salt water, and Philadelphia is installing a gas engine plant for its recently established salt water system. The result of the use of this power in engines of the capacity required will be watched with interest by engineers.

This is not intended as a political pamphlet, but at the present writing it is difficult to see how any fresh water high service system using the existing or any available sources of supply could be established and maintained as cheaply, surely and efficiently. If the present supply were elevated to the proper height to give a gravity flow, over twice the pumping power would be required to give the same hydrant head, and the main conducting pipes from any available elevation, say Twin Peaks, would have to be of great size, to allow for the frictional loss in a long pipe line. And this frictional loss would have to be reckoned with in any new source with a natural elevation. Besides, the salt water has a greater value in extinguishing fire.

When the dreaded D. T. S., double seven, the signal for a general alarm, is flashed over the wires, what would be done if another fire broke out in a distant part of town? The contingency may be remote, but it is a possibility ever present; and, while I do not wish to be thought an alarmist, I would not have San Francisco another castle of indolence, and its people lulled to sleep by the poppy dreams of past immunity.

(Applause.)

The President—I would like very much to hear from some one who has considered the subject of there being conflagration districts in San

Francisco other than the one. What do you think of that, Mr. Lowden?

Mr. Lowden—I have not considered it at all.

The President—Mr. Dornin, do you think there are provisions that could be made?

Mr. G. D. Dornin—I am afraid we are resting under the idea that the excellent ratio of the last fifteen years is going to continue.

The President—We will now proceed to the reports of special committees. As a special order for this time, we have the report of the committee appointed to consider the recommendations of the Executive Committee, the President's Address and the Library Committee. I will call upon Mr. Thornton for this report.

Mr. Thornton—I will first read the report of your committee on the recommendations of the Executive Committee.

GENTLEMEN:—

We, your committee on the Executive Committee's Report recommend:

1st—That while the deficit for the year amounts to a considerable sum we do not think it wise either to increase the annual dues or levy an assessment until such a course becomes absolutely necessary. We do not recommend the abandonment of any of the privileges or advantages accruing to the members under the present system, but the necessity for the adoption of radical measures to increase the income is not pressing.

2d—We believe that the Association can safely make provision for the admission of associate members under proper restrictions. The privileges of associate members should be limited to the use of the library, attendance at the annual meetings and a free copy of the Annual Proceedings.

The dues should be fixed at \$2.50 per annum, as suggested by the committee and the eligibility clearly defined by an amendment to the by-laws.

If the recommendation meets the approval of the Association we suggest that a committee be appointed to arrange the details.

3rd—With reference to the proposal to form a Federation of Insurance Associations similar to that in Great Britain, we heartily approve

of the scheme, but do not consider that the Executive Committee requires any special authority to act in this direction. If the committee carry out the scheme successfully we would consider that good had been accomplished.

4th—We recommend that the membership of the Executive Committee be increased to five, consisting of the retiring and incoming presidents and three members of the Association (who are not members of other committees) to be elected annually.

A. W. THORNTON,
W. H. LOWDEN,

ALEXANDER FIELD,
CHAS. R. THOMPSON.

Mr. Folger—I move that the report be received and taken up section by section, Mr. President.

The President—If there is no objection, it will be so ordered. Hearing none, it is so ordered. The first section contains a recommendation that we make no change at the present time in our annual dues.

Mr. Folger—I move its adoption.

The motion was duly seconded and unanimously passed.

The President—The second section is with reference to the admission of associate members, with the recommendation that the privileges of the members should be limited to the use of the library, attendance at the annual meeting, and a free copy of the Annual Proceedings; that the dues should be fixed at \$2.50 per annum, as suggested by the committee, and the eligibility clearly defined by an amendment to the by-laws. Would that involve a constitutional amendment?

Mr. Lowden—I think that could be done by notice mailed to the members, Mr. President, could it not?

The President—I suppose it could, so as to become effective in the course of a few weeks.

Mr. Lowden—I move that it be handled by a special committee. I think it would be well to add that a special committee be appointed to arrange the details and submit the same to the executive committee for approval, and then have it sent out.

Mr. Folger—I move that such a committee of three be appointed, Mr. President.

The motion was duly seconded, and unanimously carried.

The President—The third clause is the suggestion that the proposed formation of a Federation of Insurance Associations be simply referred to the Executive Committee, with our approval of it.

Mr. Folger—I move that it be so referred, with our approval.

The motion was duly seconded and unanimously passed.

The President—The fourth recommendation is, in accordance with the Executive Committee's Report, that the Executive Committee be increased to five, consisting of the retiring and incoming President, and three other members of the Association.

Mr. Lowden—There is a provision that the members of the Executive Committee shall not be members of any other committee. I think it would be better to have the three members of the Executive Committee who are not ex-officio members elected annually, and then they can be selected from the members not represented on other committees. I know that the recommendation was that you have a three year term, but the Committee thought that would not be advisable. The question is whether that does not require a constitutional amendment, or an amendment to the by-laws.

The Secretary—I think it does, Mr. Chairman.

Mr. Dick—I understand that the three extra committeemen are to be all elected at once, and after that one elected annually.

Mr. Lowden—No, that is not the suggestion. That was the suggestion of the Executive Committee, but the committee in this report recommends that they be all elected annually.

The President—The point that this requires an amendment I think is well taken. The constitution provides that the Executive Committee shall be composed of three.

Mr. Folger—That has been amended in the meantime, at one of our annual meetings, to make it three past Presidents. It would seem that it might be possible to suspend the rules. In the absence of that, the action cannot be taken until next year. I will add, for the Executive Committee, that the only reason which led us to suggest rotation in office was the fact, and we were personally affected by it, that there have been times when, in the haste of this meeting, members have been re-elected to the Executive Committee rather than to take time to pick out new members, and we thought that we ought not, as members of that Committee, to be re-elected year after year, when there was so much good material to be drawn upon. Under the rotation theory the retiring member would not be re-elected.

The President—The purpose was also to provide for the continuity of the committee, and at the same time provide for rotation, as has been suggested by Mr. Folger.

Mr. Folger—To save time, I move that this particular matter be referred to the Executive Committee, with request to prepare and report an amendment to cover the ground desired.

The motion was seconded and unanimously prevailed.

The President—Now will you read the report of your committee upon the recommendations of the President's Address?

GENTLEMEN:—

We, your Committee, having under consideration the address of our President, beg leave to recommend :

1st—That the Executive Committee be authorized to incur reasonable expense in securing lectures from professional experts outside of the business along the lines suggested in the President's Address.

2nd—We recommend that the Executive Committee be authorized to continue the work of indexing the library and that proper provision be made for expenses connected with such work.

3rd—We believe that the recommendation of the President regarding the early publication of the program for the Annual Meetings and the selection by future Presidents of special members to lead in the discussion of Papers should be acted upon. In this way intelligent discussion can

be secured and a way opened for voluntary remarks from other members.

4th—That the date for the Annual Meetings be permanently fixed for the second week in January of each year.

A. W. THORNTON,

ALEXANDER FIELD,

CHAS. R. THOMPSON,

W. H. LOWDEN.

Mr. Folger—I move that the report be received and taken up section by section.

The Secretary—I second the motion.

The President—If there is no objection, it will be received, and will take that course. The first recommendation is that the Executive Committee be authorized to incur reasonable expense in securing lectures from professional experts, outside of the business, along lines suggested in the President's Address.

Mr. H. M. Spencer—When are these lectures supposed to be delivered?

The President—Periodically, at the discretion of the President and Executive Committee.

Mr. H. McD. Spencer—It would appear that it would be very much more difficult to secure the presence of the members than that of the lecturer. The great difficulty is that no one has ever taken any interest in these matters.

The President—To give you the idea of the recommendation as suggested in the President's Address, it is simply that the providing of a programme at periodical meetings is a little too big an undertaking for the officers of the Association; in other words, it is work enough to provide the programme once during the year. And providing a lecture from an expert for such a time would be a very different thing from providing a programme from our own membership. It was thought that much good might be accomplished in this way. Of course, if it did not prove

an attraction, it would fall of its own weight, just as the periodical meetings have fallen.

Mr. Driffield—I move the adoption of the recommendation.

Mr. G. D. Dornin—I second the motion.

The motion unanimously passed.

The President—The second clause of the report is: “We recommend that the Executive Committee be authorized to continue the work of indexing the library, and that proper provision be made for expenses connected with such work.” I call your attention to the fact that this work is reducing our surplus. We have to draw upon our accumulated funds for this purpose; but this is an accumulated work. It is a work, which if it had been done from year to year, would not have demanded such an immense amount of time, and so large an expense at the present. It seems to us proper, however, that, being an accumulated work, it should draw upon the accumulated funds of the Association, even though it results in exhausting the fund.

Mr. Thornton—It was the opinion of the committee that there was no particular use for the money thus accumulated, except for such things.

Mr. Driffield—Is there much yet to be done in that regard, Mr. President?

The President—Yes, there is considerable work yet to be done; at least, as much as has been done in the past.

Col. Kinne—I move the adoption of the recommendation, Mr. President.

Mr. Folger—I second the motion.

The motion unanimously passed.

The President—The third recommendation of the committee is a recommendation regarding the early publication of the programme for

the Annual Meetings, and the selection by future Presidents of special members to lead in the discussion of Papers.

Mr. Folger—I move that the recommendation be adopted as the sense of the meeting.

The motion was seconded and unanimously carried.

The President—The fourth recommendation is that the date for the Annual Meeting be permanently fixed for the second week in January of each year.

Mr. Folger—I would like to ask the Chairman of the Committee making this report, who comes from a distance, if the sentiment was unanimous in the committee as to that recommendation?

Mr. Thornton—There were only four members of the committee that met, but it was the unanimous sense of the committee that the meetings be held in the second week in January, instead of in February, as heretofore. Every member present was in favor of the meeting being held in the second week in January.

The President—This question is in the nature of a change in the constitution, and, as explained previously, there has been no permanent change made in the meeting date yet.

Mr. Lowden—Mr. President, then this meeting is illegal. We have no justification for this change at the present time or hereafter without a constitutional amendment, if that be so. I had been opposed to a change right along, but, seeing the success of this meeting, seeing the number of gentlemen present from the Northwest district, has changed my mind completely. I think that really this is the best time to have the meeting, although it interferes with the office duties of the members living in San Francisco; still, I think we can devote time enough to attend these meetings, and I believe the change would be advisable. The gentlemen from the Northwest can come here very much more conveniently now. They have to visit their offices once a year anyway, and I believe that it

is for the best interests of the Association to have the meetings held in January.

The President—Would not a motion be more in order to provide in the same way that we are providing for the other change as to the Executive Committee.

Mr. Lowden—I make a motion to that effect.

Mr. Watt—I second the motion.

The motion unanimously prevailed.

Mr. Folger—As a matter of form, I move that the Executive Committee be instructed, with reference to the amendments referred to, that, after their preparation, copies be mailed to each member of the Association, and, if two-thirds of the members shall approve of the changes, they shall then be parts of the constitution. My motion is to suspend the rules, and take the vote of the members by mail; and, if two-thirds of the membership vote in favor of the changes, consider them adopted.

Mr. Watt—Two-thirds of those who vote at all upon the measures, I move to amend in that particular.

Mr. Folger—I accept that, two-thirds of the membership voting within sixty days of the issuance of the circular.

The President—That being a motion to suspend the rules, I suppose it will have to be by unanimous consent. Unanimous consent is asked, gentlemen, to take the vote by mail, instead of at an Annual Meeting.

The motion was thereupon put by the President, and passed unanimously.

The President—I will ask the Secretary to read the report of the Committee on Re-insurance Clause.

GENTLEMEN:—

Your Committee has met with the Board Committee again to discuss the Re-insurance Agreement. You will recall, no doubt, that at last year's meeting a substitute was offered in the shape of an abbreviated agreement to take the place of the long agreement reported the previous

year, which was based upon the agreement in use by English offices. The more we have discussed the abbreviated form, the more clearly has its faults and omissions been revealed, and your committee now begs to report that they feel it their duty to recommend the original agreement, which was presented at the meeting in 1902, under the title of "Pacific Fire Re-insurance Agreement." The more we have studied this matter, the more we feel that the adverse criticism of this agreement on account of its length, is more than offset by its completeness, and, that any abbreviation or condensation of it would result in weakening it, and would prove to be a make-shift and compromise.

We are far from asserting that the agreement referred to is ultimately complete. Any such agreement must of necessity be subject to amendment, as experience reveals omission or incompleteness, but we feel that we cannot improve upon it as a starting point when the companies reach the conclusion generally, which so many of us have fully reached, that a well-defined agreement is necessary to remove the many opportunities for controversy which exist under the present loose method of handling this important part of the office business of the companies. The Board Committee is in sympathy with us in this view, and, while it is impossible for this Association to take any initiative on such a proposition, we think it quite competent and proper for us to make our final recommendation to the Board Committee, that the "Pacific Fire Re-insurance Agreement" be adopted.

Your committee feels that its work is carried to a conclusion, and respectfully requests to be discharged.

WHITNEY PALACHE,
HERBERT FOLGER,
F. B. KELLAM.

The President—Gentlemen, what is your pleasure? You have heard the report.

Mr. H. McD. Spencer—I move that the report be received, and the committee thanked and discharged, and its suggestions adopted.

Mr. George D. Dornin—I second the motion.

The motion passed unanimously.

The President—I have now the pleasure of presenting to you Mr. George F. Grant, the editor of the Knapsack, who will regale you with the delights of that publication.

CALIFORNIA KNAPSACK.

GEORGE F. GRANT—EDWARD NILES, EDITORS.

VOL. XXVIII.

JANUARY 13, 1904.

NO. 1.

Mr. Grant—We are indebted to the Special Agents' Association of the Northwest for a liberal contribution to the Knapsack. My wandering feet have taken me through the Northwest during the past twelve months. I have learned to know the field men of that section, and I want to say that for business knowledge and open-handed kindness, they have no equal in the wide world. And on behalf of the California Knapsack, I wish to send to them the members' greetings.

EDITORIAL—GEORGE F. GRANT.

Everyone has a kick coming, and the more virility the harder the kick. Strong muscle and good digestion will enable you to trample all over your weak antagonist, and thus prove him wrong without a hearing.

Bluff is the twin brother of success; cheek is the husband of affluence. Be bold! Be aggressive! The younger you are the better. These traits prove to your elders that you are "rising." Still, there is diplomacy even in mendacity.

I have a friend whose advice acts on my system like Peruvian bark. Said he: "If you want to free your mind, write a stinging letter to the insignificant son of a microbe. Tear his character to shreds. Tell him that you see through his diaphanous disguise; that you know his friendship to be selfish assumption. In one wild burst of venom, burn him up. Then read the letter carefully, and destroy it on the spot. Thus your mind is free; your appetite returns, and the detested object of your scorn is 'whipped to a finish.'"

Perhaps he is right. Another fellow, a philosopher, says: "Go to bed."

How often, oh, how often, at the close of day, have you left the office thinking things that would stop a clock, and, yet in the morning, you are happy and satisfied again. Sleep did it. Sleep is virtuous. Insomnia, while not immoral, is very bad.

When you are getting the best of your neighbor, and telling him to go along and mind his own business, be careful not to let him know that you are unreasonable, arbitrary, revengeful, and grasping; it might spoil everything. There are some weak fools who allow their sentiment to influence their business conduct. As a rule, by some freak of fortune, they enjoy an enviable reputation, but they are not the kind to let into your combinations. Such men are never able to manipulate a scoop. These people live as if they expected to die the next minute.

Somehow they remind me of the sloppy subject of Gray's celebrated epitaph: "He gave to misery (all he had) a tear"; "He gained from Heaven ('twas all he wished) a friend."

Did you ever in your life hear anything more unbusinesslike?

EDITORIAL—BY THE ASSOCIATE EDITOR.

Complying with the urgent request of a small but influential committee, made up of a self-appointed chairman only, this is submitted as my first editorial contribution to the Knapsack.

Needless to say, in deference to what will doubtless be your unanimous wish, it may also be my last, as I contemplate resigning the Associate Editorship to go into other business which may prove more remunerative.

"Extravagance is the cause of hard times," said a Nevada capitalist. "We must be more economical. Ten years ago I commenced working in a mill at Gold Hill at a small salary, and, in less than a year, I owned the mill, and had some money in bank."

"You are right," returned a listener, with great earnestness; "it is possible for a man to lay up \$2,000 or \$3,000 a month on a salary of \$5 a

day, but he must be very economical, and have the handling of the amalgam."

In the last seven words a pin should be stuck—"and have the handling of the amalgam." What a lesson is there conveyed: first, of economy, and second, of cheerfulness. From the brief text of but seven words we may extract the full value which from time immemorial has attached to the mystic number "seven," and learn a profitable lesson.

To managers the thought should be suggestive of a wise economy in running expenses; a careful selection of local and special agents, and a discrimination in the acceptance of hazards, which will result in profit to the company, and an acceptable increase in the contingent.

The special agent, who has always something to learn, may also chew on this proposition, and learn to handle his amalgam in the way of risks and agents to the best advantage.

Throughout life, however, the main thing is to be cheerful. With that end in view the Knapsack was evolved, so that when, perchance, saddened and depressed with the solid chunks of statistical wisdom with which you have been pelted during the Annual Meeting—the business seems a bleak desert of figures—you may relax for a time, forget your cares, and regain that elasticity of spirit, which alone gives the right flavor to existence.

The editors of this annual trade publication have for some two years largely depended on the members of the Association for contributions, but have failed to secure as many as desired. My suggestion is: either make the editors do more work, or fire them. The Knapsack is not as large as it should be, and hereafter must be of greater volume, or it may become a "has been," a consummation both undesirable and unnecessary.

GO 'WAY BACK.

Accommodations on Gray's Harbor immediately after the Aberdeen fire were very meager. Several of the adjusters who were laboring in sackcloth and ashes—principally ashes—held a meeting in the Hoquiam Hotel one evening, on the adjournment of which someone suggested a stein. We butted into a "booze foundry," ordered a beer and a sand-

wich, and stood around on one leg munching. There was not a table or chair in sight, so we shifted to the other leg to rest. The genial representative of the "Undertakers" saw our predicament, and attempted to come to our rescue by approaching the landlord thisly:

"Say, boss, haven't you a place to sit down?"

The landlord reached behind the bar, brought forth a piece of log hitched up to a key, with a length of boom chain, and pleasantly remarked: "Shure! Here's the kay. Go 'way back, and take the furst dhure to the roight."

AN ABERDEEN ADJUSTMENT.

"Well, Solomon, how much did you lose?"

"I loose sigs tousand tollar, und so helb me Rebegga, I vouldn't tage a zent less."

"So you had six thousand dollars worth of stock on hand at the time of the fire?"

"Vell, maype a liddle more, maype a little less. Mine cousin, Shakey, he say he gif me nor dat."

"Everything burned?"

"Everything, so help me!"

"Have you got your books and invoices?"

"Here vas mine invoices. I not can fint mine boogs; dey ben burned up."

The adjuster could not make head nor tail of the data given him, but he looked wise, did some figuring on a piece of paper, and in a stern voice said:

"Solomon, you had just \$2,127.36 worth of stock on hand at the time of the fire."

"Vell, vell, vell! I tought I had more. Vas dat all?"

"And you saved eleven hundred dollars worth?"

"Maype. I saved zome. Maype eleven hundret, maype less. I don't can tell."

"That makes your loss a thousand dollars. I'll make up your proofs for that amount."

Solomon sat in deep thought, while the adjuster laboriously picked out the keys on his "blick," making up proofs. Finally he broke out:

"Subbose I'm not sadsified; subbose I von't seddle for a tousand dollar, vot vill I do?"

"Oh, you can sue if you wish; you don't have to take the thousand dollars. But that is my limit."

"Vell, I'll tage id, I'll tage it. I didn't mean nodings. Dat is perfectly satisfactory."

The proofs went in without schedules, marked "compromise settlement," but it was too easy, and there is a snickering idea that the adjuster was skinned, after all.

It was \$1,000 policy, written on the "Dwelling House" form, which provided that the loss should be payable immediately upon the making of proofs of loss. The assured refused to go into the loss with the adjuster, or to visit the ruins with him, but he made up his own proofs of loss, with very complete schedules, served them on the local agent, and commenced suit next day. Quick work! Did the company pay? You bet! And this same rascal tried similar tactics at Kent a short time ago, but the fire marshal is investigating the loss.

A DOLLAR A FIGURE.

It was a book loss, pure and simple. Not a dollar's worth of goods saved; inventory taken the first of the preceding month; no subsequent purchases; the books in first-class shape, and the insurance only fifty per cent. of the value. One of our "team of grays" was adjusting, and had taken about fifteen minutes to get off a statement for his proofs, showing last inventory, net sales, and goods on hand. There was no train out of town until next day.

That same evening a message came to the assured that the adjuster for the Aboriginee Mutual Fire Insurance Company would arrive on the early morning train to settle on their \$1,000 policy. Our hero asked the claimant not to give the Mutual man any information about the settlement or the figures. Next morning a dialogue something like this took place on the street corner:

"Good morning. I represent the Aboriginee Mutual Fire Insurance Company. Are you not the adjuster on the Fellus loss?"

"Yes."

"Have you any blank proofs with you?"

"Yes."

"I left my papers in Spokane, and would like to borrow a proof from you."

"Long or short form?"

"Um-m-m, ah-h," said the Mutual man, "really I think I might just as well use a *short form*."

His measure was taken, and a blank short form was given him.

"Oh, thank you very much. Have you the figures on the loss?"

"Yes."

"Would you mind letting me have a copy of them?"

"Yes, for twenty dollars."

"Oh, you're joking, really. I couldn't think of it."

"Allright. No twenty, no figures. I have put in valuable time on this loss, and have paid my way from Portland. You pay your proportion of my time and expense, or make up your own figures."

"Will it take long?" asked the mutual man, with a worried look.

"That depends. If you are an expert accountant, and quick at figures, you may get through in four or five days; but, if you're not familiar with double entry book-keeping and loss adjustments, it may take you a week or two."

The Mutual man looked worried, and our friend wagged his gray head, and lighted another cigar to keep from showing his bland smile.

"Say, I'll give you ten dollars for the figures."

"No, sir, not a cent less than twenty."

Two pieces of paper changed hands, both about the same size. One had "TWENTY DOLLARS" on it, and had a greenish, crisp appearance; the other had about twenty figures on it, and was a thin piece of tissue paper. They came high, but he had to have them.

About twenty minutes afterwards, while Mr. Mutual man was sweating blood over his short form proof for \$1,000, the claimant's boy of ten years of age came running into the room where his father was, exclaiming: "Oh, papa, papa, look what that nice adjuster gave me! TWENTY DOLLARS! I'll get a new wheel now."

I recall an adjustment in which I played a more or less conspicuous part some years ago. The loss was located in British Columbia, on a large stock of merchandise—large even for that country—and with a heavy damage.

Many companies were interested, and it was a matter of pride with me to render a good account of myself. There was an associate adjuster, but he was quite in accord with my every movement, and was really a valuable assistant.

I will admit that I was a trifle nervous at this time, but no one noticed it, and I maintained my usual urbanity. In short, my demeanor throughout was patient and forbearing, while I insisted on all the rights a strict compliance with the contract afforded.

My associate was a man of good legal mind ; he had made contracts a special study while at the university. He had a fine military bearing, and an impressive and convincing vocabulary.

The assured did not meet us in the spirit I could have wished. He was reserved, even taciturn. He expected and demanded an explanation at each turn we made, wanting constantly to know why.

For example, in the matter of separating the damaged from the undamaged ; the putting of the stock in the best possible order ; the making of an inventory, stating the quantity and cost of each article ; making a list of all other insurance, whether valid or not ; by whom and for what purpose the building containing the stock was occupied ; also producing bills, invoices, and vouchers—all this he did finally and reluctantly, but it seemed a forced process, and was at times very irritating to the adjusters. I must not omit to mention a large, muscular—but over-grown—boy, a son of the assured, who constantly pushed himself into any little discussion in the most offensive way, and who repeatedly offered to throw me through the window for a brass farthing (whatever that is), and who used language unbecoming any person, reflecting on my birth, my parentage, and my ultimate state. He always referred to my nose as if I had an exaggerated case of catarrh.

I think my associate would have run him through with his sword-cane, as they used to do at college, if I had not restrained him.

Another personage, who meandered in and out, is worthy of description : He never interfered in anything ; neither did he obtrude himself ; he always addressed the assured as "My very dear sir," and saluted my associate and myself invariably in the same way,—“Good morning, my lords and masters, good morning.”

He was dressed in a clean but faded suit of tweed ; his tall spare figure seemed like one who hesitated to advance. He was most polite. A favorite gesture was to cover his mouth with his hand and then caress his chin ; he had a most subduing effect on those around him, even the over-grown boy subsided with a sickly grin.

We talked him over at the Club quietly at the end of the day. Said I : “In my country we would call him a town character ; one of those privileged persons, you know, no business sense, but welcome on every hand.” “Well, in my country,” said my associate, “we would call him a “*stray*,” not crazy enough to lock up, and not poor enough for the work house. What is he always hanging about for ? I have a notion to tell him to keep away.”

"Don't do that," I said, "remember he is the only one who can make the assured talk, and he has surely subdued that cub of a boy; wait until the appraisal, at all events. Did you ever know anything so slow as this adjustment. Then again, how do you account for the presence of the special agent of the Hemisphere Company? I represent that company in this adjustment; looks to me as if he is here to criticise."

"Well," said my associate, "he seems to have plenty of time. Why not set him on the case of the 'stray' to find out all about him."

We did so, and later he reported.

"Boys," said he, "that man is not such a fool as he looks. He lives over in Canada, Quebec way; he is in trade there; he is the appraiser for the assured, and is waiting for you to get the stock in order."

"Well," said I, "I don't want anything better than that."

"The same with me," said my associate. "I call it a regular windfall."

We drew up a most elaborate agreement for appraisal, safeguarding every point. This we gave to the assured, who in turn handed it to the "stray." He read it over carefully, rubbed his chin, and said: "My lords and masters, that is a great production, a fine effort. I have heard of the talented insurance adjusters of the Pacific Coast, and I bow to you, the leaders of them all, and yet, much as I like your agreement, here is one I think just as good," and from his hip pocket he took a small slip containing a few lines, which we were forced to admit covered the whole ground.

It was noticeable that the "stray" always had a stipulation, or an agreement, or a contract of some kind ready at hand when wanted, and he fished them out of his vest, or the tail of his coat, or his fob pocket in the most unexpected manner.

We had secured for an appraiser the best man in town, but it was quickly made clear that an umpire was necessary. The "stray" selected a commercial traveler, and made him stick by, mildly producing a copy of the law of that country, which provides that the court shall name the umpire when appraisers fail to agree. My associate convinced me that the court was "bad medicine."

As for the per diem of this drummer umpire it was \$100 per day. "My lords and masters," said the "stray," "I have come from a long distance. I have left my own business affairs that I may act as appraiser in this case. My stipend is \$100 per day, including Sundays and holi-

days, and I think the umpire is entitled to the same amount, and the umpire agrees with me."

I will not take up your time with the details of the appraisement. It was pretty much alike, as follows: "What shall we call the damage to this lot?" "Twenty per cent.," said my man. "Eighty per cent.," said the "stray." "Seventy-five per cent.," said the drummer. When it was all over I boldly accused the "stray" of soaking us for \$60,000.

"Oh, no," said he, "oh, dear, no; never say that, never, sir; \$60,000, did you say? Not more than \$48,000, on my honor."

"ORDER" OF THE UNDERWRITERS.

It was a clothing stock next door to the fire, but evidently without insurance, for no claim was made, although a huge sign covered the front of the store. And what an incendiary sign, too! Big black and red letters, with fiery tongues, and clouds of smoke rolling from them. It read:

FIRE—FIRE—FIRE.

\$30,000.00 worth of Goods DAMAGED

By

FIRE, WATER and SMOKE.

Must be sold at once. Your own figures.

BY ORDER OF THE UNDERWRITERS.

Passing by it Johnnie D. remarked: "Watch me have some fun." He stepped to the door, where the proprietor of the clothing store was longingly looking for customers, and said:

"Have you got that 'order,' Mr. Cohen?"

"Vot orter?"

"That 'order' of the Underwriters"—pointing to the sign.

"Vell, I don't know. Maybe my pardner he haf id."

"I represent the Underwriters, and want to see that 'order.' I'll be back in ten minutes, and if you can't produce it I'll have you pulled."

In ten minutes, as we passed back, we had a good laugh. A large strip of cotton was neatly pasted over "By Order of the Underwriters." It was out of sight—so was Cohen.

QUERY FROM THE MANAGER.

"We note specially that the owner of this stock is a woman. It occurs to us to ask why?"

Manager to agent: "We observe that you have granted permission for one gallon of naphtha or benzine. Under the rules we cannot, under any circumstances, permit to exceed one quart of either."

Agent to manager: "This is not ether, but benzine. Your typewriter doesn't seem to spell very well."

Some years ago Roseburg, Oregon, put in a new water system, organized a well-equipped fire department, and applied for a re-rating of their town. The board gave their request prompt attention, and issued new and higher rates. One of the leading business men then wrote to the company that had been carrying his insurance as follows:

"The new rates are much higher than they were before we put in water and the fire department. My rate was 1.40, and is now 1.80. If you will give me insurance at the old rate, I will consent to the following clause being added to my policy:

"It is warranted by the assured, in consideration of this reduced rate, that, in the event of a fire, he will not avail himself of the new water works and fire department.'"

The following came from the Northwest some months ago, written by one who is yet a special, to a genial gentleman who had been advanced to a more responsible position in the company which he had served for many years, and we think is good enough to listen to. Of course the names of the writer and recipient of the letter are omitted for obvious reasons, and here it is:

"MY DEAR FRIEND:

"Under three heads I wish to express my gratification. The company gets a good man; a good man gets a good job, and a damned active competitor is gone to his reward—if not to his rest. Your company will seem hereafter just a little nearer and a little dearer to the boys left behind because of the new member of the cabinet.

"In the days to come, when the obsequious gentleman from Africa bends over your chair at the Bohemian Club, sometimes think of the poor devils scattered over hill and plain, who are still crunching army beef, and drowning their sorrows in Arbuckle's coffee.

"May success continue to light on your banners in the future, even as it has in the past, until you own the company. We will watch your administration with interest, and swipe your renewals when possible."

Recently a special of one of our prominent companies, who was called to take an extensive trip through Eastern Oregon, thought it wise to give his better half an outing, partly, no doubt, to let her appreciate the comforts(?) of a few hundred miles in mud wagons, buck-boards, and other special conveyances, as might be necessary and available, such as the man of the house had been telling her about in the past.

She proved a pretty good traveler (a comma following "pretty," might not be amiss), and came out at Ashland all right.

The special sometimes mentions incidents of his trips other than insurance, and a quotation from one letter perhaps is worth reading:

"I am afraid Mrs. ——'s faith in the veracity of the 'bunch-grasser' has been rudely shaken. Out on the desert the other day a terrific rain storm came up suddenly. Our driver ran his horses under the thick branches of an unusually large juniper tree, and we were fairly well sheltered.

"Mrs. ——, with regulation feminine curiosity, got to peering around, and suddenly exclaimed: 'What liars those people are! There's a sign, with a three-fingered hand, pointing somewhere, which says: '*¼ of a mile to water,*' and there's water enough right here now to float a battleship.' And then she wanted to know what we were laughing at.

"A Gospel wagon passed through this country some time ago, and an enthusiastic evangelist painted a scriptural motto or injunction on every available fence and rock for 100 miles. On the bridge, just as you enter this town, is a striking notice to 'Keep out of Hell.' When we drove up to the hotel, I asked the landlord, who was industriously assisting us out of the conveyance, if this was Hell. He promptly said Hell was forty miles further south, and then asked me if I couldn't find my way home."

That large corporations are not wholly devoid of a sense of humor is shown by the following actual occurrence:

The dwelling property of the president of one of the large Eastern universities was a total loss. The insurance policy had been in force but a few days, and, in liquidating, the manager of the insurance company wrote as follows:

"Dear Prof. C——: Enclosed please find draft in settlement of your fire loss, which we trust will be found satisfactory.

"We note, however, that your policy was written on the 15th inst., while the fire did not occur until the 18th. *Why this delay?*

Respectfully," etc.

Schmidt had just moved into his new hotel, and he was very proud of it. The first greeting you would get on arising in the morning would be :

"Vell, what you tink mine house? Vos you all right alretty?"

"Yes, Schmidt," I answered, "things are fine, but you should put water glasses in the rooms. How do you suppose a fellow is going to clean his teeth without a glass?"

"By schimminy," answered Schmidt. "Dot vos one ting I forgets. I puts me a glass and tooth brush in every room in the house, right away alretty."

Mine host Skinnum of the Hotel d'Bum can always spot a weary traveler and provide for his comfort, and I was grateful when he asked if I would have a room with a bath. The afternoon was far spent and I hurried out to my work before going to my room. It was late before I finally got the balance due, and weary and foot sore I climbed the long creaking stairway, fondly anticipating the refreshing bath and sweet slumber ahead. The night roustabout lit the lamp and slid out. I partly undressed and began looking around for the bath room, but one door opened into a closet, and the other into another bed room. Apparently I had been run into the wrong room, but I was too tired to re-dress and go back down stairs, so I piled into bed and was soon sleeping the sleep of the just.

Next morning my bill had an "Extra, \$1." I asked what the extra was, and the landlord suavely told me it was for the bath. I protested that I didn't have a room with bath, though I had ordered one. Wasn't I in No. 4? Yes. Well, the landlord quietly informed me, as he returned two-fifths of my "V," there was a tub of water under my bed if I had wanted to use it, but that he didn't undertake to compel guests to take baths if they didn't want to.

NO FLIES ON PAT.

It was in October in Idaho, as well as elsewhere, and the frost was beginning to nip o' nights. Fly time was nearly over, and the improvident landlord of the Hotel Bughouse was allowing them to fall, instead of picking them by hand, as any careful, frugal landlord ought to do. In the dining room they were falling from the ceiling like autumn leaves, and their white bellies glistened in the morning sunlight. The waiter was a good natured, red headed young Irishman, who was doing his best

under trying circumstances. He brought me some mush, but there was a fly in it, and I sent it out. A cup of coffee and some ham and eggs were similarly decorated. Calling him, I said:

"Look here, Pat, haven't you got something not seasoned with defunct flies? or would you just as soon bring the flies in a side dish, if you have to bring them at all," and at the same time I slipped two bits into his hand, which seemed to be in a handy, inviting position.

Pat looked wise for a moment and then said, "Sure, sur, Oi'll fix yez out foine, so I will."

In about five minutes he returned with four boiled eggs, in the shell, and two baked potatoes, in the jacket.

"There yez aire, sur," he said triumphantly, "and if yez foind a fly in anny of thim, bedad Oi'll ate thim meself."

For years it has been the custom of a certain Assistant Manager upon his annual visits to the various agencies in his extensive field to look over the register of his company carefully, and after signing and dating, to add a few words of encouragement and good cheer.

Upon the occasion of his 1902 visit to Coyoteville he followed this precedent and for the time being, having run out of pithy remarks in English, and feeling a trifle more learned than usual, he added after his signature, "Nil Desperandum," and it so happened that the signature and this cheering phrase were opposite the entry of a new \$5,000 line on the best brick in town.

A year rolled around and again the agent's heart was gladdened by the yearly visit. After a chat and smoke the register was produced and inspection disclosed the loss of the choice \$5,000 line.

"Why didn't we get that renewal?" demanded the Assistant Manager.

"I thought you didn't want it;" replied the agent, "you see I looked back over the register and saw that last year you wrote 'Nil Desperandum' opposite the risk. I don't know what that means except that nil means nothing; so from that I presumed it was a request to drop it and I gave the risk to another company."

It ought to be a source of satisfaction to adjusters that only about one loss in twenty is a book loss, for usually the books of the average country merchant are to say the least unique.

The writer was in Butte, Montana, recently and received a wire to visit a certain small town and settle a stock loss.

After the customary night ride and breakfast a visit was made to the scene of the fire and the assured, one of the largest and most reputable merchants in town, was asked if he kept a set of books.

"You bet I do, and I don't see how any man can run a business like mine without keeping books."

Visions of neat books, carefully preserved invoices, memos of stock-taking and all accessories of an easy adjustment arose before my eyes to be rudely dispelled by the first glance at the ledger.

An entirely original system of accounting had been adopted. The second account examined was one opened with a customer who had evidently neglected to settle up before leaving town, and instead of being ruled up and balanced off in red, a memo had been scrawled across the page:

"The son of gun skipped the country."

After this the loss was adjusted in accordance with Mr. Lowden's suggestions as to "What to do when the books are burned."

Once upon a time in a town far from the jurisdiction of the Board of Underwriters there lived a Local Agent who controlled a lot of good business and some not so good.

Now a certain Special looked with longing eye upon the good business, and to secure some he presented the Local with a new typewriter, and by reason of this and sundry favors, pecuniary and otherwise, the good business, strangely enough, seemed to drift his way, and the other and less enterprising Specials got what was left, which wasn't much.

However, the Local fell a victim to the alluring slot machine, and before long he was up against it.

Circumstances were such that two Specials, of the slow variety, who had seen their business go to the other fellow, arrived together on the ground in search of their money.

Nothing was in sight; the money had all laboriously been passed into the slot, and the agent was hopelessly busted; but no—there was one asset: the office furniture, of which the largest and almost the only item was the typewriter.

A chattel mortgage was soon placed upon this furniture and the two Specials got their money and departed upon the train that brought to town the one of enterprise—who we are all told is still looking for his money.

It is needless to add that nothing of this kind could ever happen on the Pacific Coast.

THE FATE OF THE NINE.

Ten little underwriters, went out to dine ;
A cocktail fixed the Manager, then there were nine.
Nine little underwriters, drinking to their fate,
The Assistant got a skate on, then there were eight.
Eight little underwriters, on their way to Heaven ;
A small bot. fixed the countryman; then there were seven.
Seven little underwriters, up to funny tricks ;
The Counter man went up against it, and then there six.
Six little underwriters, very much alive ;
The next round killed the City man, then there were five.
Five little underwriters—the others on the floor—
Away rolled a Bookkeeper, then there were four.
Four little underwriters, on a lovely “ tea ; ”
The Cashier lost his balance, then there were three.
Three little underwriters, sitting round the brew ;
The Superintendent saw his finish, then there two.
Two little underwriters, pretty nearly done ;
The Adjuster wouldn't compromise, then there was one.
One little underwriter, drinking all alone ;
He was the Special and took everybody home.

A facetious agent in Washington, speaking of the productive country, said: “A man sent to California for some crude petroleum, planted it, and now there is a crop of gasoline lamps running wild.”

AN OLD STORY.

“Herman,” said Assistant Manager Siebenneicher of the Deutsche Africana Feuer Versicherung Gessellschaft to his bookkeeper, one morning, “has our agent up at Schwartzberg paid that old account already yet?”

“He has not, sir,” answered Herman.

“What?” thundered his employer. “Then you sit right down and

write him a strong letter quick, and tell him that we won't stand any more foolishness."

Herman wrote what he thought covered the case, and handed the result of his efforts to the old man for signature, who, however, instead of signing the letter, tore it into bits, and exclaimed: "You call that a strong letter? Watch me write one." And this was what followed:

"MR. D. E. LINQUENT, Schwartzberg, O.

"Sir:—

Who was it that owed us for an old account over one year?

That was YOU.

Who was it that many times agreed to pay the same?

That was YOU.

Who give a note for sixty days with interest?

That was YOU.

Who failed to pay that note when due?

That was YOU.

Who was a damned LIAR and a Scoundrel?

I am, believe me,

Yours truly, L. SIEBENNEICHER."

The only incident to relieve the adjustment was the spelling of the assured. It took a long time to get a schedule. Here follows the items of pictures and drugs:

1 Etching.

1 Panel of Mt. Hood.

5 Stealing graves.

1 Water color.

1 Family Grope.

1 certificate.

2 pairs of horns.

2 large Stealing graves.

Album pictures.

9 lbs. Amonia @ 15c.

50 lbs. Salt Peter @ 7c.

65 yds. Ante Secplis Gause @ 50c.

1 Lot Absorbent Gause and Cotton.

1 yd. Oli Silk."

"Will he be entitled to the full amount of insurance, notwithstanding the fact that at the time of the fire the insurance *had not yet began*?"

At a local insurance office an applicant recently presented himself desiring insurance on his household effects.

He received the policy, paid the premium and then began to ask questions as is usually done when taking out first insurance.

He made mention if he would recover loss in the event of his leg being burned, whereupon the agent informed him that he was only insured against fire and not accident, and that he would have to take out an accident policy in case his leg was burned.

It finally came out that he had a cork leg, and the agent then informed him that this came under the head of "wearing apparel," and he left the office satisfied.

From the applicant's appearance the agent was not aware of his wearing an artificial limb.

TOOTHPICK ECONOMY.

After an all day ride in a rickety old stage I arrived at Buffalo Chips tired and hungry. The fall horse show was in progress, and when I went in to dinner I had to sit among a lot of horsey men. There was nothing but horse talk and horse smell, and I could easily imagine that the stuff the slip shod waitress brought to me had something horsey about it.

It was not a *course* dinner, but it was *coarse* nevertheless. There was a community butter dish and no butter knife, but I noticed that horse etiquette cleared this small obstacle with ease, and the knife that conveyed provender to the facial aperture was, from time to time, deftly thrust into the butter until finally there was a fringe of gravy, vegetables, etc., all around it. My appetite being suddenly appeased I left the table.

I noticed that my horsey friends lined up to the cashier's desk and plunked down two bits each for their dinners. Just to see what would happen I did the same thing, and picking a few toothpicks out of the match safe tried to look unconcerned.

"Two bits more, please," said the landlord, who seemed to be his own cashier.

"What for?" I asked.

"For dinner."

"But I have paid you already."

"Dinner is four bits."

"No it isn't. I see all these people pay two bits."

"Well—but you're a drummer, and its four bits for drummers."

"No, I am not a drummer, and even if I was why should I pay two

prices? I am quite sure I did not eat as much as any of the people who are getting off with two bits."

"Well," he replied, "you're a traveling man of some kind, and you fellows always want twice as much attention as any one else does."

"Lord's sake!" I answered, "Where would I get all this attention if I wanted it, around here?" and I swiped a few more toothpicks and began chewing them vigorously.

"Well, there's a sample of it," said mine host. "You fellows come out from dinner, grab a handful of toothpicks, put half of them in your pocket and chew up the rest and spit them out on the floor. Now every one of those men you are kicking against because they are let off with a two bit charge for dinner, take a toothpick, pick their teeth with it, and put it back in its place."

THE BALLAD OF SAINT PETER AND PRESIDENT PALACHE.

One day to Peter's portal came
 An underwriter known to fame,
 And rapped upon the sacred gate;
 As no one answered to his knock,
 He boldly tried to break the lock—
 But failing, had not long to wait.
 A voice in anger from within
 Demanded "Who doth make this din,
 Give me thy name and dwelling place."
 Our friend began to be alarmed
 And cried "Oh Peter, if I've harmed
 Thy door, the damage I'll replace."
 "I am an underwriting man
 From San Francisco and I can
 Assure thee that from mortal sin
 I'm free as any in my trade;
 The rates I've ne'er been known to shade,
 I swear 'tis true; pray let me in."
 The saintly porter answered "Nay!
 Reward for that we do not pay,
 'Tis naught that thou avoidest ill;
 Some deed of good, if only one,
 Thou must upon the earth have done,
 Else thou shalt sizzle on the grill."

"Besides this is no place for thee,
Thy kind all look alike to me,
And all deny that they divide,
And only one hath passed these gates—
He likewise swore to no rebates,
But he'd a Pull here ere he died.

"*W'at* is his name?" the stranger said;
Then mournfully he scratched his head,
Of one good deed he could not think;
At last his face lit up with joy,
For he remembered when a boy
He had one time refused a drink.

Quoth Peter, "This is not enough;
And while to thee it may seem tough,
In heaven thou dost *not* belong."
"Oh, Peter, let me take a peep,
Outside thy pearly port I'll keep,
This, surely, won't be very wrong!"

Thus wheedled, Peter slid the door
And left a crack an inch or more,
Through which our downcast friend could see;
Just then began the heavenly hymn,
Intoned by saints and seraphim,
Which filled his soul with pious glee.

For wafted through the gates a strain
Was heard, of which the sweet refrain
He oft had sung in boyhood's days;
He joined with that celestial band
And sang about the coral strand
And many other holy lays.

The hymn was hushed, and to the door
The angels flocked and cried "Encore!"
And marveled at his velvet voice;
Then one much bolder than the rest,
Asked if the stranger could be pressed
To give a song—the singer's choice.

With that our friend, first red than pale,
Hit up the "Brown October Ale."

The song that once did give him fame;
The heavenly host were mute as mice
Until the end, then in a trice
A loud Hosanna from them came.

Then Peter, flinging wide the door,
The stranger bade to wait no more,
But in the chorus take a place;
So that is how there came a pair
Of Fire Underwriters there.
The rest, I fear are lost to grace.

LETTERS FROM AGENT.

"I want as low a rate as possible, for this man is a personal friend and is an experienced man in embalming and conducting funerals. I have known him about a year, but know of his work through others. He is a fine Christian man, prominent in the Methodist Church."

In reply to your query: "Are there any means of fighting fire?"
It rains sometimes.

"Enclosed please find draft on Anglo-California Bank for (\$25) twenty-five dollars and the ballance I will sent you soone. Also the policy of William Higgins—he came to me Fryday told me he would line the house and put Tericartor flew instead of tin."

"My policy had been in effect but three months when the fire occurred, and you paid me total loss. That was all right, but when are you going to send me the return premium for the nine months the policy had to run?"

The President—The next order of business is the election of officers. I now declare nominations in order for the office of President of the Association.

Col. Kinne—Mr. President, it is a very easy and pleasant thing to formally place in nomination for the office of President of this Association one who was really elected a year ago, being in accordance with the understanding that whoever secures the honor of being Vice-President of our Association, is, if he lives and behaves reasonably well during the twelve months, always unanimously elected President of the Association for the following year. In this case, I have but to name our Vice-President; but, in doing so, I wish to call attention to the fact that he is one more of the bright men of the Northwest who have graduated down here and are now a part of us. I think it is a proper thing for us to do something to recognize the Northwest. I know that our companion and associate, Mr. J. L. Fuller, who came here to bring some good into the business locally for us, and who has done it, will make a most excellent officer. It therefore gives me very great pleasure to place in nomination Mr. J. L. Fuller for the office of President of this Association.

(Applause.)

Mr. Watt—I desire to second that nomination, Mr. President, and I do so with a very great deal of pleasure.

On motion of Mr. Sexton, seconded by Mr. Herbert Folger, nominations were declared closed. And thereupon, upon motion duly seconded, the Secretary was instructed to cast the ballot of the Association for Mr. J. L. Fuller for the office of President of the Association for the ensuing year, which was done, and the President declared him to be duly elected President.

The President—The next in order is nominations for the office of Vice-President.

Mr. Folger—This Association was organized by field men. They and their successors have always been its best supporters, and it seems fitting that they should be made prominent in its offices. The Knapsack

has told us something of the green twig, and I believe I voice the sentiment of all those who live in San Francisco and in this vicinity when I say that the members among the Northwest are among our most hearty co-operators. From among them I should like to name for the office of Vice-President of this Association for the coming year one who seems to be entitled to recognition, one who has been a good worker and made his presence felt at this Annual Meeting, one who is the field representative of a charter member, and one who by the writing of Papers for us heretofore, and by personal fitness of character and attainments is well qualified to be President when the next year shall come around. I have the pleasure of nominating Mr. Albert W. Thornton for Vice-President of the Association.

(Applause.)

Mr. Gunn—Mr. President, speaking for the members from the Northwest, it is my very great pleasure to second the nomination of Mr. Thornton. We think a good deal of Albert W. Thornton in our country. We know him as a competent and honorable competitor, and we know that in his election to the Presidency the good name and fair fame of this Association will go into good hands. I want to say that this little compliment to one of our boys and field men, coming, as it does, from you Californians without solicitation on our part, is very acceptable and highly appreciated. We did not have a candidate for any office so far as I know. Yet, when it became generally known that this office would go to the Northwest, and it was up to the boys there to produce the man, the decision was prompt and it was unanimous, and Mr. Thornton was the man. I assure you that our loyalty to this Association, the Northwest specials, is not at all dependent upon any office we may receive, or any honors that may be bestowed upon us. We are only too glad to come down once a year and shake hands all around and absorb such things as are absorbable and to add generally to our metropolitan life. We will appreciate highly the election of Mr. Thornton to the office of Vice-President of this Association.

Mr. Sexton—As a representative from the Northwest, Mr. President, I intended to second the nomination. (Laughter.) These people are laughing at me. I was in Portland fifty-two years ago. Portland at that time was only a little village. I remember I asked a native there if it rained in Oregon as it did in California, and he said no, it rained in Oregon when it pleased. But, to go back a little, Colonel Kinne made a rule a great many years ago that has been carried out, and that is, that the officers of the Association, President and Vice-President, shall consist of a man who is in the city and can be reached at any time, and a man who is on the road. This year it fell to a man in the city to be President, and in looking around for the one on the road he found Mr. Thornton, one of the many good road workers. Mr. Thornton has certainly established himself, and the members from the Southwest and from the South and from Colorado and the entire Coast, joined Col. Kinne and made it unanimous. To stop any more talk upon the subject, Mr. President, I move that the nominations be declared closed, and that the Secretary cast the ballot of this Association for Mr. Albert W. Thornton as Vice-President of the Association for the coming year.

The motion was duly seconded and unanimously prevailed, and the President declared Mr. Albert W. Thornton the duly elected Vice-President of the Association for the ensuing term.

The President—The next in order is the nomination for the office of Secretary and Treasurer.

Col. Kinne—Mr. President: For many years I have had the pleasure of placing in nomination the Secretary of this Association, and for many years I have had the honor of placing in nomination the same man. I read an article in a paper a few days ago, a statement that first appeared in one issue and then in another, from some cowardly writer, because he was anonymous, that this institution was getting into its old age, and for the reason that it was run by one man. I desire to say that this Association is not run by one man, and the suggestions of no one man are carried out unless they meet with the approval of all. When I first read the

article I thought it referred to Uncle William Sexton. Some one else said they thought it was Mr. Lowden. And finally some one suggested it was Kinne. None of the things were true. This Association is an organized body that is trying to bring good into the business, for the benefit of all concerned, and the younger gentlemen in the insurance fraternity, the field men and others, who have listened to the Papers today, know that they have heard something that is beneficial. There is something in every Paper that will appeal to them and better them. I know of no one in our membership, Mr. President, that has performed in the past or can in the future perform the duties of the office of Secretary of this Association as well as Mr. Calvert Meade, and I place him in nomination as Secretary and Treasurer of our Fire Underwriters' Association of the Pacific for the ensuing year.

(Applause.)

The President—Unless it is considered very much out of order, I desire to second the nomination of Mr. Calvert Meade for Secretary and Treasurer of this Association, and for the very good reason that I have had better opportunities to know than anybody else what his services have been. I tell you that you do not know, and you cannot know, and you will probably never know all that he has done for you. I know of no one else in the Association who will do what has been doing, and what he will continue to do. The only question is whether he is willing to so continue.

Mr. Sexton—Col. Kinne has taken the liberty to say what he has in placing in nomination Mr. Meade, because he is a younger man than I. But I am willing to admit that Mr. Meade does practically run the business. I rise to second or third the nomination, because I think he will run the business better than anyone else that we can get.

On motion, duly seconded, the nominations were declared closed, and the President requested Mr. Sexton, upon motion, to cast the ballot of the Association for Calvert Meade as Secretary and Treasurer of the Association for the ensuing year, and, upon the ballot being so cast, Mr. Meade was declared so elected Secretary and Treasurer.

The President—The next in order is nominations for members of the Executive Committee.

Mr. Watt—Is there to be a change in the Executive Committee?

The President—It is to be enlarged, upon written ballot. That ballot will be on the amendment to the constitution, of course. It will then be necessary to elect the committee. I think that the course is plain to elect your committee of three, and then the amendment will go into effect next year.

Mr. Watt—There is a rule, is there not, Mr. President, that the Executive Committee shall be composed of ex-Presidents of the Association?

The President—Yes.

Mr. Watt—I move that the President retiring and the immediate preceding Presidents, compose the Executive Committee for the ensuing year. The immediate preceding Presidents are Mr. W. H. Gibbons and Mr. G. W. Dornin.

Mr. Folger—I second the motion.

Col. Kinne—I move that the nominations close, and that the Secretary be instructed to cast the ballot of the Association for the two gentlemen named as members of the Executive Committee for the ensuing year, in addition to the retiring President, Whitney Palache, who is ex-officio of that committee.

The motion was duly seconded and unanimously prevailed, and the President declared the Executive Committee for the ensuing year to be the retiring President, and Mr. Gibbons and Mr. G. W. Dornin.

The President—I believe that concludes the list of officers elected—The others are appointed.

Mr. Folger—Mr. President, I believe that I voice the sentiments of all present in saying that this will be one of the most notable meetings for many years, for the presentation of permanently valuable Papers, for a

large and most interested audience, and for the able government and direction of proceedings by our retiring President, who has brought out the greatest good for the greatest number. (Applause.) Therefore I think we owe it to Mr. Palache to give him a hearty vote of thanks, and I make that as a motion.

The motion was duly seconded, and upon being put by the Secretary was carried unanimously by a rising vote.

There being no further business the meeting thereupon adjourned.



THE BANQUET

As usual there assembled, at 7:30 p. m. sharp, in the Maple Room of the Palace Hotel, members and guests of the Fire Underwriters' Association of the Pacific.

Soon after nine o'clock, after the excellent menu furnished by the Dinner Committee had been most agreeably discussed, the retiring President arose and announced that an innovation would be made to counteract the growing tendency of long programs and of speech-making, expressing the hope that the absence of formal speeches would promote the unceremonious and spontaneous good fellowship of mere companionship. He then introduced the President-elect, Mr. J. L. Fuller.

J. L. Fuller—Gentlemen: It is with a deep sense of responsibility that I arise this evening to thank you for electing me President of this Association. It is the understanding, I believe, that a member is advanced to this position, not so much for what he has done, but for what he is expected to do to promote the welfare of the Association. This being the case I will have ample opportunity to show my appreciation of your good will, and I shall exercise this opportunity to the very best of my ability. I feel stronger for the work in hand, even now at this early moment, for having *just* attended one of the most successful meetings in the history of this Association. (Applause.) I accept this demonstration on your part, gentlemen, as an endorsement of what I have just said; therefore, if I succeed in continuing the good work done by President Palache, I can hope to have then earned your confidence. I thank you one and all.

The evening was pleasantly spent in song and laughter, in an informal way, and the meeting and banquet were declared a great success.

Members and guests adjourned in the wee-sma' hours,
feeling that the Twenty-eighth Annual Meeting of the
Fire Underwriters' Association of the Pacific
had added intellectually and socially
to its record.

M E N U

Eastern Oysters on Half Shell

SOUP

Consomme Grand Duke

Sauterne

RELISHES

Radishes

Olives

Celery

Salted Almonds and Pecans

FISH

Paupiettes of English Sole, Victoria

Potato Rosette

Cabernet

ENTREE

Fillet of Beef, Financier

Punch Yvette

Champagne

ROAST

Stuffed Squab, Giblet Sauce

French Peas

Mixed Green Salad

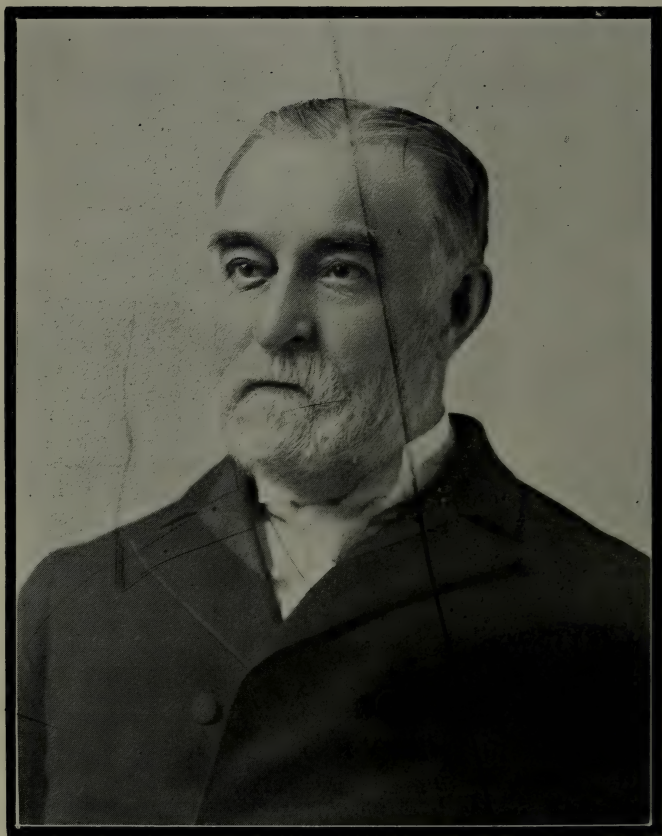
DESERT

Ice cream

Biscuit, Palace Hotel

Assorted Fancy Cakes

Coffee



JAMES FRANKLIN HOUGHTON.

At a special meeting of the Fire Underwriters' Association of the Pacific, held in the rooms of the Association, February 2nd, 1903, the following Memorial was unanimously adopted:

JAMES FRANKLIN HOUGHTON.

JAMES FRANKLIN HOUGHTON was born at Cambridge, Massachusetts, December 21st, 1827.

He was of sturdy New England stock, his forefathers having come to this country from England in 1650. He was educated as a civil engineer, and in 1850 joined the band of Argonauts headed for California, arriving here in April, by way of Cape Horn.

Instead of going to the mines, as did most other young men immediately on their arrival here, he engaged in the lumber business at Benicia, and built up an active business, with branches at San Francisco, Sacramento, and a number of other points. From Benicia he moved to Sacramento, and in 1862 became the Surveyor-General of California, retaining that office for six years, during which time he was engaged in surveying and establishing the eastern boundary of this State.

His business ventures proved so uniformly successful that he retired from business in 1874, and took up his residence in Oakland.

About this time an opportunity for a profitable investment was presented in the purchase of a controlling interest in the stock of the Home Mutual Insurance Company. Having acquired this interest, he was duly elected President of the company. For Secretary he wisely selected Mr. Charles R. Story, a man who had established a reputation for ability and absolute integrity both as a merchant and as a public officer.

To him General Houghton entrusted the management of the insurance business of the company, while he, for his part, assumed the care of its financial interests.

Under his shrewd and able management the interest and rents not only paid to the company regular and liberal dividends, but a large surplus was accumulated.

During the later years of his presidency, when competition rendered it difficult for a company doing only a local business to make money, the income from the investments offset any deficit occurring through the business of underwriting.

Competition, however, became more and more active, and in the year 1892 the conditions were so unpromising that he decided to negotiate the sale of the company. In this matter he was so successful that he was able to return to his stockholders 200 percent upon the capital stock. By this transaction he again showed his foresight and his ability as a financial manager.

Of erect and dignified carriage, General Houghton was always a noticeable figure on our streets, and his uniform success in the management of financial affairs made him prominent in business circles. In his death San Francisco has lost one of her best known and successful citizens.

WM. J. DUTTON, }
GEO. D. DORNIN, } *Committee.*
CHAS. D. HAVEN, }

At a special meeting of the Fire Underwriters' Association of the Pacific, held in the rooms of the Association, April 30th, 1903, the following Memorial was unanimously adopted :

WILLIAM PAUL THOMAS.

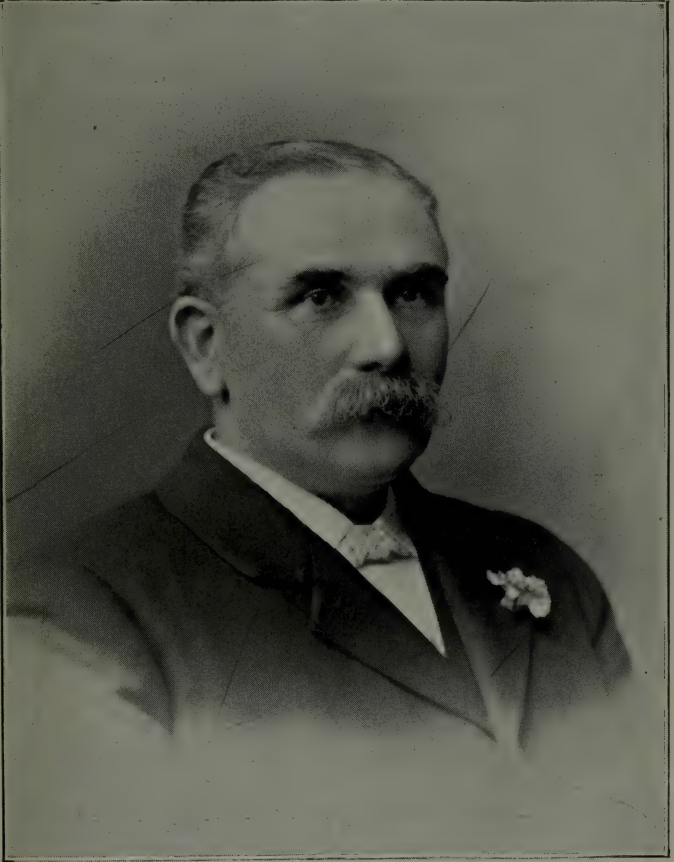
While with increasing years our Association grows in numbers, yet there are occasions upon which we are called upon to deplore the loss of one of our members, and to sorrowfully realize that, in the nature of things, our ranks cannot remain unbroken.

In the passing away, on April 29th, 1903, of WILLIAM P. THOMAS, the Association lost one of its older and most esteemed members, the profession of underwriting an earnest, conscientious worker, and an exponent of its higher ideals, his friends a sympathetic and loyal comrade, and his family a loving and devoted husband and parent.

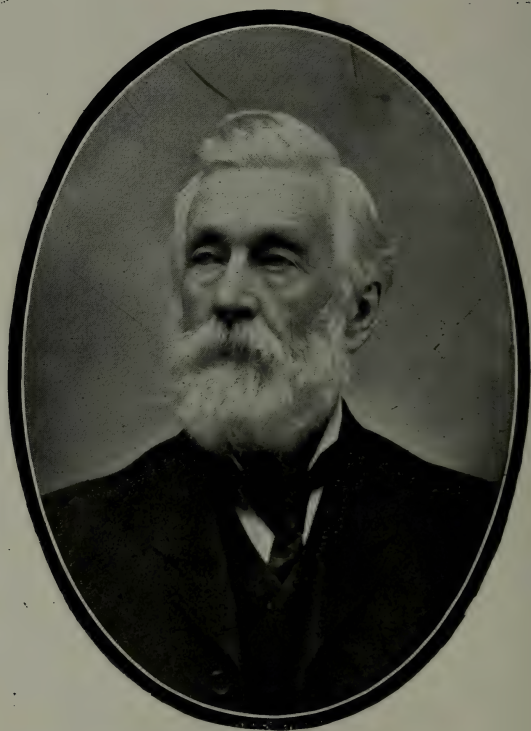
WILLIAM P. THOMAS was born in England, but he made his home in California while still in his youth, and for the period of thirty years was engaged in the business of insurance upon the Pacific Coast. Having, through his energy, ability, and loyalty to the interests he served, established his reputation in the various positions filled by him, he achieved the ultimate aim of all of us in being entrusted with the responsibility of the management of a department office.

" Life's work well done,
Life's race well run,
Now comes rest."

V. CARUS DRIFFIELD, HERBERT FOLGER, E. T. NIEBLING,	} Committee.
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WILLIAM PAUL THOMAS.



ALFRED RICHARDSON GUNNISON.

At a special meeting of the Fire Underwriters' Association of the Pacific, held in the rooms of the Association April 7th, 1903, the following Memorial was unanimously adopted :

A. R. GUNNISON.

Born at Goshen, New Hampshire, and who solved the great problem April 5th, 1903, aged seventy-two years and six months.

From first to last, always guided by an unswerving code of persona and professional ethics, he has proven to his associates that honesty and integrity of purpose, coupled with faithful perseverance in following such lines, through the latitudes and longitudes of life, always find for the constant and honorable a safe harbor in the affairs and friendships on earth, and a final and restful anchorage at the end.

A. R. Gunnison crept into our minds and hearts as an earnest and faithful member of the original thirty-two specials and adjusters who organized, at Virginia City, the Fire Underwriters' Association of the Pacific, October, 1875. His record as a contributor to the valuable and interesting papers of the organization is well known and justly appreciated.

While mourning for our yoke-fellow and co-worker, this Association tenders his stricken family its heartfelt sympathies and begs to offer the consolation that we not only sincerely lament with them the loss of so kind and indulgent husband and father, but also deplore the loss to this Association of a loyal member and friend, at all times worthy of our emulation.

WM. SEXTON,
L. L. BROMWELL, } *Committee.*
B. C. DICK.

At a special meeting of the Fire Underwriters' Association of the Pacific, held in the rooms of the Association, May 28th, 1903, the following memorial was unanimously adopted :

HENRY KEENEY BELDEN.

In the death of HENRY KEENEY BELDEN, on April 26th, 1903, the Fire Underwriters' Association of the Pacific lost an honored and valued member. During the twenty years of his connection with the Association he served as member of the Executive Committee six terms, and contributed several papers at our Annual Meetings, notably one on "Statistics," in 1886, and one on the "Conflagration Hazard," in 1890.

He was born in New York City in 1849, entered the employ of the Hartford Fire Insurance Company in Milwaukee in 1864, and continued with that company over a period of thirty-nine years, until his death. He came to San Francisco in 1869, and became Manager of the company for its Pacific Coast department, in connection with Mr. Cofran, in 1886.

A man of simple habits, of robust physique, in the prime of life, his death from pneumonia, after a few days' illness, came as a shock to his family, his friends, and his business associates. No man among us was more highly esteemed. He was a man of genial and kindly disposition, of unimpeachable integrity and of high ideals. In the business community generally, in our fraternity, in society, in the Church, in the family, he was honored and loved, and now is sadly lamented. We can only bow to the Divine Will which has taken him from us in the midst of his greatest activities and from the circle of his delightful family, and record those few but sincere words of esteem and appreciation. His example may be recalled and followed with profit. Our recollections of him will inspire us to better living.

CHAS. CHRISTENSEN, GEO. F. GRANT, ROLLA V. WATT,	} Committee.
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HENRY KENEY BELDEN.



LEWIS M. SEATON.

L. M. SEATON.

"Each friend snatched from us is a plume
Piucked from the wing of human vanity."

Death has again invaded the ranks of our Association, and the unseen but heavy hand of the Great Exalted Ruler, has taken from us, and to the eternal morning of a new life, our fellow-member, L. M. SEATON, who passed away at his San Diego home, October 30th, 1903.

His steadfastness and loyalty to all the ethics of his profession; his career as an honorable and straightforward Special Agent and Adjuster is our heirloom. Each and all of us who knew him bear willing testimony to his reliability and trustworthiness. These sincere Memorial sentiments will find lodgement with the home circle he leaves, and to whom both widow and son, we tender our unfeigned sympathy and sorrow in common.

"Death is the crown of life;
Were death deny'd, poor men would live in vain;
Were death deny'd, to live would not be life."

Let a Memorial page in our published Proceedings be allotted our departed friend, and an engrossed copy of same be forwarded to the bereaved family of our lamented associate.

WILLIAM SEXTON, L. L. BROMWELL, C. MASON KINNE,	} <i>Committee.</i>
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At a special meeting of the Fire Underwriters' Association of the Pacific, held in the rooms of the Association, November 19th, 1903, the following Memorial was unanimously adopted:

J. HENRY DIBBERN.

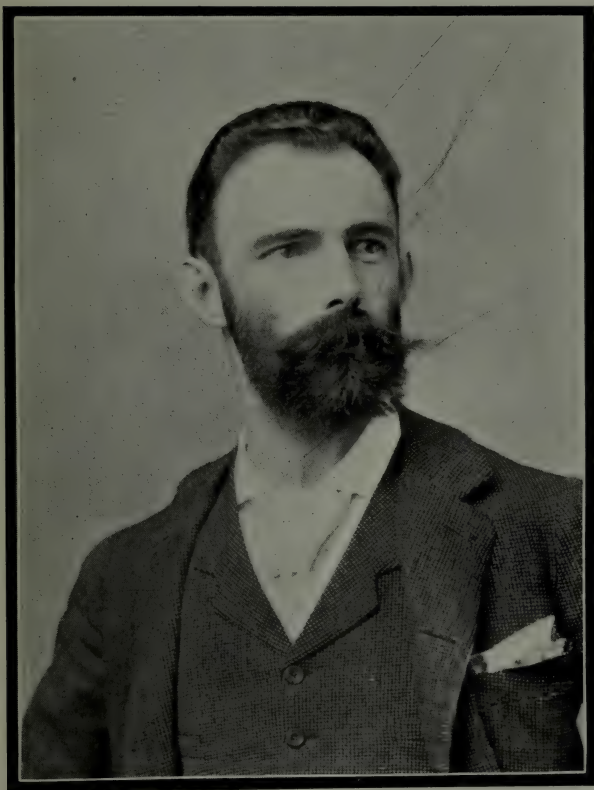
On November 18, 1903, there passed from this life almost without warning, J. HENRY DIBBERN, a partner in the firm of Manheim, Dibbern & Co., and an honored member of long standing in this Association.

A man of ability in his profession, of sterling character and lovable disposition, commanding alike the respect and confidence of his associates and the love of his friends.

A staunch supporter of everything that tended to dignify his calling and add respect to the business of fire insurance, his sudden death cannot but affect us most sensibly, and it is with sincere desire to honor his memory that this testimonial to his integrity and business capabilities is feelingly submitted.

Furthermore, it is desired that the above be recorded in the Proceedings of this Association, and that an engrossed copy be tendered his partner, Mr. Henry S. Manheim.

ARTHUR M. BROWN,	} Committee.
R. C. MEDCRAFT,	
T. J. A. TIEDEMANN,	



J. HENRY DIBBERN

CHARTER MEMBERS OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC.

Organized February 23, 1876.

- BAILEY, JAS. D., General Agent, Union Insurance Co.
 BARNES, E. T., General Agent, California Insurance Co.
 BIGELOW, H. H., General Agent, Home Mutual Insurance Co.
 BRUSH, R. G., City Agent, State Investment & Insurance Co.
 BROWN, EDW., General Agent, Faneuil Hall and Lycoming Insurance Cos.
 BROMWELL, L. L., Special Agent, Phoenix and Home Insurance Cos.
 *BRYANT, A. J., President, State Investment & Insurance Co.
 *CALLINGHAM, WM. J., General Agent, Royal Canadian Insurance Co.
 *CLARK, Z. P., Agent, German-American Insurance Co.
 DICK, B. C., Agent, Kansas Insurance Co.
 DICKSON, ROBT., Manager, Imperial, Northern & Queen Insurance Cos.
 DOOLAN, WM., Special Agent, State Investment & Insurance Co.
 DORNIN, GEO., D., Secretary, Fireman's Fund Insurance Co.
 *GARNISS, J. R., Adjuster.
 GRANT, GEO. F., Special Agent, North British & Mercantile Ins. Co.
 *GUNNISON, A. R., Special Agent, Commercial Ins. Co. of California.
 HART, J. W., Agent, Scottish Commercial Insurance Co.
 *HOUGHTON, J. F., President, Home Mutual Insurance Co.
 LANDERS, WM. J., Manager, San Francisco Agency, Guardian Assurance Co.
 *LOWE, B. F., Adjuster.
 MACDONALD, WILLIAM, Surveyor, Board of Fire Underwriters.
 MAGILL, R. H., General Agent, Home Mutual Insurance Co.
 POTTER, E. E., of Potter, Jacobs & Easton, General Agents.
 SEXTON, WM., Special Agent, Fireman's Fund Insurance Co.
 SMITH, A. D., General Agent, Northwestern, Amazon & Fairfield Insurance Cos.
 *SMITH, HENRY, Special Agent, Liverpool & London & Globe Ins. Co.
 SNOW, H. W., Special Agent, Commercial Union Assurance Co.
 SPENCER, GEO. W., Special Agent, Ætna Insurance Co.
 *STAPLES, J. W., Adjuster.

*Deceased.

OFFICERS AND COMMITTEES.

List of Officers and Committees of the Fire Underwriters' Association of the Pacific, since organization :

Year	President	Vice-President	Secretary-Treasurer
1876	†Benjamin F. Lowe	Henry H. Bigelow	†John W. Staples
1877	George D. Dornin	William L. Chalmers	†John W. Staples
1878	†Augustus P. Flint	Edward Brown	†John W. Staples
1879	†Casper T. Hopkins	Andrew D. Smith	†John W. Staples
1880	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1881	Louis L. Bromwell	George F. Grant	†John W. Staples
1882	George F. Grant	Edwin W. Carpenter	†John W. Staples
1883	Edwin W. Carpenter	William Sexton	Robert H. Naunton
1884	William Sexton	Charles Mason Kinne	†Charles P. Farnfield
1885	Charles Mason Kinne	†Zenas P. Clark	Robert H. Naunton
1886	†Zenas P. Clark	†John W. Staples	Robert H. Naunton
1887	†John W. Staples	William L. Chalmers	Bernard Faymonville
1888	William L. Chalmers	Lemuel B. Edwards	Bernard Faymonville
1889	Lemuel B. Edwards	†William J. Callingham	Thomas W. Fenn
1890	Bernard Faymonville	William H. Lowden	Robert H. Naunton
1891	William H. Lowden	Henry M. Grant	George H. Tyson
1892	Henry M. Grant	Stephen D. Ives	Edward Niles
1893	Stephen D. Ives	Rolla V. Watt	Russell W. Osborn
1894	Rolla V. Watt	V. Carus Driffeld	Russell W. Osborn
1895	V. Carus Driffeld	Herbert Folger	Louis Weinmann
1896	Herbert Folger	Russell W. Osborn	Louis Weinmann
1897	Russell W. Osborn	Louis Weinmann	Calvert Meade
1898	Louis Weinmann	Edward Niles	Calvert Meade
1899	Edward Niles	Frank J. Devlin	Calvert Meade
1900	Frank J. Devlin	George W. Dornin	Calvert Meade
1901	George W. Dornin	William H. Gibbons	Calvert Meade
1902	William H. Gibbons	Whitney Palache	Calvert Meade
1903	Whitney Palache	Jacob L. Fuller	Calvert Meade
1904	Jacob L. Fuller	Albert W. Thornton	Calvert Meade

EXECUTIVE COMMITTEE.

1876	Louis L. Bromwell	James R. Garniss	George F. Grant
1877	Edward Brown	William J. Sanders	Andrew D. Smith
1878	Andrew D. Smith	Oliver H. Cole	George W. Spencer
1879	†Augustus P. Flint	William Macdonald	Albert R. Gunnison
1880	George F. Grant	Edward Brown	Oliver H. Cole
1881	George W. Spencer	Edwin W. Carpenter	Charles Mason Kinne
1882	Thomas Edward Pope	Andrew D. Smith	†Thomas A. Mitchell
1883	George F. Grant	Harvey W. Snow	Oliver Hawes
1884	George F. Grant	Harvey W. Snow	Oliver Hawes
1885	George F. Grant	Harvey W. Snow	Oliver Hawes

†Deceased.

EXECUTIVE COMMITTEE—Concluded.

1886	†Henry K. Belden	†George F. Ashton	Calvert Meade
1887	†Henry K. Belden	†George F. Ashton	Calvert Meade
1888	†William J. Callingham	George C. Pratt	Rolla V. Watt
1889	Bernard Faymonville	William H. Lowden	†Henry K. Belden
1890	†Henry K. Belden	George Easton	Henry M. Grant
1891	†Henry K. Belden	George Easton	Alfred Stillman
1892	Alfred Stillman	George Easton	V. Carus Driffeld
1893	V. Carus Driffeld	William H. Lowden	William Sexton
1894	Herbert Folger	Franz Jacoby	James H. De Veuve
1895	Russell W. Osborn	Frank J. Devlin	John T. Fogarty
1896	Frank J. Devlin	George W. Dornin	Whitney Palache
1897	Frank G. Argall	Edward Niles	Robert P. Fabj
1898	Whitney Palache	†William H. Bagley	Leslie A. Wright
1899	John T. Fogarty	Alfred R. Grim	Whitney Palache
1900	Edward Niles	William H. Lowden	Russell W. Osborn
1901	Frank J. Devlin	Rolla V. Watt	William Sexton
1902	George W. Dornin	Herbert Folger	Louis Weinmann
1903	W. H. Gibbons	Herbert Folger	Louis Weinmann
1904	Whitney Palache	W. H. Gibbons	George W. Dornin

LIBRARY COMMITTEE.

1876	George W. Spencer	Robert H. Magill	Byron C. Dick
1877	James W. Hart	Hugh Craig	Samuel D. Mayer
1878	J. W. Kinsley	George W. Spencer	Ludwig Beck
1879	Oliver H. Cole	Joseph C. Jennings	William J. Landers
1880	George E. Butler	Edward Brown	Charles J. Van Tassel
1881	†John W. Staples	†William J. Callingham	Robert H. Naunton
1882	George W. Spencer	†Samuel O. Hunt	†John W. Staples
1883	†John W. Staples	George W. Spencer	Robert H. Naunton
1884	†Casper T. Hopkins	George D. Dornin	†Andrew J. Bryant
1885	George W. Spencer	William Sexton	†Samuel O. Hunt
1886	George W. Spencer	William Sexton	
1887	George W. Spencer	Rudolph Herold, Jr	Thomas Edward Pope
1888	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1889	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1890	George W. Spencer	Edwin W. Carpenter	
1891	George W. Spencer	Edwin W. Carpenter	†Alexander J. Wetzlar
1892	George W. Spencer	Herbert Folger	James H. De Veuve
1893	Herbert Folger	†Henry K. Belden	Richard C. Medcraft
1894	†Alexander J. Wetzlar	A. G. Dugan	Benjamin J. Smith
1895	A. G. Dugan	Herbert Folger	Edward P. Farnsworth
1896	Frank G. Argall	George W. Dornin	Charles C. Echlin
1897	William Maris	Charles C. Echlin	Herbert Folger
1898	Herbert Folger	Benjamin J. Smith	Frederick B. Kellam
1899	Herbert Folger	H. McD. Spencer	Whitney Palache
1900	Herbert Folger	Frederick B. Kellam	Frank G. Argall
1901	Jacob L. Fuller	Charles B. Hill	Peter F. Gilroy
1902	Jacob L. Fuller	Peter F. Gilroy	Frederick B. Kellam
1903	A. M. Brown	Clinton Folger	D. A. Spencer
1904	W. H. Lowden	Herbert Folger	Ben. J. Smith

†Deceased

CALIFORNIA KNAPSACK.

1879	Charles Mason Kinne, Editor	William Macdonald, Associate Editor
1880	Charles Mason Kinne, Editor	
1881	Charles Mason Kinne, Editor	George F. Grant, Associate Editor
1882	Charles Mason Kinne, Editor	
1883	Charles Mason Kinne, Editor	
1884	Charles Mason Kinne, Editor	
1885	George F. Grant, Editor	
1886	George F. Grant, Editor	
1887	Edwin W. Carpenter, Editor	
1888	†Alexander J. Wetzlar, Editor	
1889	†Alexander J. Wetzlar, Editor	
1890	George F. Grant, Editor	
1891	George F. Grant, Editor	
1892	George F. Grant, Editor	
1893	George F. Grant, Editor	
1894	George F. Grant, Editor	Edward Niles, Associate Editor
1895	George F. Grant, Editor	Edward Niles, Associate Editor
1896	George F. Grant, Editor	Edward Niles, Associate Editor
1897	George F. Grant, Editor	Edward Niles, Associate Editor
1898	George F. Grant, Editor	Edward Niles, Associate Editor
1899	George F. Grant, Editor	Edward Niles, Associate Editor
1900	George F. Grant, Editor	Edward Niles, Associate Editor
1901	George F. Grant, Editor	Edward Niles, Associate Editor
1902	George F. Grant, Editor	Edward Niles, Associate Editor
1903	George F. Grant, Editor	Edward Niles, Associate Editor
1904	George F. Grant, Editor	Edward Niles, Associate Editor
	†Deceased	

DINNER COMMITTEE.

(From first banquet in 1881, George W. Spencer, retiring president, to the present time):

George W. Spencer

George F. Grant



LIST OF MEMBERS—JANUARY, 1904.

ACTIVE MEMBERS.

- Agard, J. J., Special Agent, Hartford Fire Insurance Company.
 Agnew, F. J., Special Agent, Pennsylvania Fire Ins. Co.
 Andre, A. A., Independent Adjuster.
 Ankele, J. H., Special Agent, North German Fire Insurance Co.
 Argall, F. G., Independent Adjuster.
 Bailey, A. E., Special Agent, Insurance Company of North America.
 Bailey, J. D., General Agent, Insurance Company of North America.
 Bailey, A. T., Special Agent Home F. & M. Insurance Company.
 Bangs, Franklin, Secretary, Home F. & M. Insurance Company.
 Bates, H. L. A., Special Agent, C. J. Stovel's Agency.
 Beck, J. M.
 Benner, Harry, Special Agent, German-American, Phoenix, New Hampshire and German Alliance Ins. Co's.
 Bertheau, C., Manager, Aachen & Munich and Hanover Ins. Co's.
 Bertheau, Max A., Assistant Manager, Hanover Insurance Co.
 Blanchard, H. P., Special Agent, Fireman's Fund Insurance Co.
 Bliss, Walter E., Special Agent, Milwaukee Mechanic Ins. Co.
 Boardman, Geo. C., of Boardman & Spencer, Gen. Agts. Ætna Ins. Co.
 Boyd, H. C., Assistant Manager, Hamburg-Bremen Insurance Co.
 Bromwell, L. L., General Agent, Milwaukee Mechanics Ins. Co.
 Broomell, B. B., Special Agent and Adjuster.
 Brown, Edward, of E. Brown & Sons, General Agents, American (Pa.), Delaware, Svea, Agricultural and Globe & Rutgers.
 Brown, A. M., of E. Brown & Sons.
 Brown, H. H., of E. Brown & Sons.
 Brush, R. G., Special Agent, Liverpool & London & Globe Ins. Co.
 Burke, H. R., Special Agent, Royal and Queen Insurance Companies.
 Butler, Geo. E., General Agent, Phoenix Assurance Co. of London, Providence-Washington and Pelican.
 Campbell, Warren, Special Agent for Manager Conroy's Companies, Los Angeles, Cal.
 Chipman, W. F., Special Agent, German-American, Phoenix, New Hampshire and German Alliance Ins. Co's.
 Christensen, Chas., of Christensen, Edwards & Goodwin, Managers. American Central, St. Paul, American (N. J.) and Mercantile Ins. Co's.
 Coddling, Geo. C., Special Agent, National and Springfield Ins. Co's.

- Conroy, T. J., Manager, Manchester, Caledonian and Rochester German Ins. Co's.
- Conrad, J. G., of Voss, Conrad & Co., Gen'l Agts., Thuringia Ins. Co.
- Cosgrove, J. E., Special Agent Scottish Union & National Ins. Co.
- Craig, Homer A., General Adjuster, Pennsylvania Fire Ins. Co.
- Crowell, H. W., Special Agent, Phenix of Brooklyn.
- Crux, Geo. A., Special Agent, Manchester, Caledonian and Rochester German Insurance Companies.
- Cunningham, Jas. C., Special Agent, American Central, St. Paul, American (N. J.) and Mercantile.
- Danker, H., Assistant Manager, Transatlantic Fire Ins. Co.
- Davenport, Dixwell, Special Agent, Catton, Bell & Co.
- Deering, Chester, Special Agent, Pennsylvania Fire Ins. Co.
- DeGolia, Edwin B.
- Delafield, Robt. H.
- De Lappe, R. Special Agent, American (N. J.), American Central. St. Paul and Mercantile Ins. Co's.
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- Devlin, Frank J., Manager, Atlas Insurance Company.
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- Dickson, Frank W., Manager, Royal Exchange Assurance Co.
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- Dutton, Grayson, Special Agent, Fireman's Fund Ins. Co.
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- Elwell, W. T., Special Agent, Aachen & Munich and Hanover Ins. Co's.
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- Fennel, Henry T.
- Field, Alexander, Special Agent, Catton, Bell & Co.

- Fogarty, J. T., Sup't of Agencies, Royal and Queen Insurance Co's.
Folger, Clinton, Manager New Zealand Ins. Co.
Folger, Herbert, Ass't Gen. Agent, German-American, Phoenix, New Hampshire and German Alliance Ins. Co's.
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French, John S., Special Agent, Fireman's Fund Ins. Co.
Friend, R. B., Special Ag't, with Voss, Conrad & Co.'s Gen'l Agency.
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Fuller, J. L., Ass't Manager, Norwich Union Fire Insurance Society.
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Gazzam, W. L., Special Agent, Aetna Ins. Co., Seattle, Wash.
Gerould, P. E., Special Agent, National and Springfield Ins. Co's.
Gibbons, W. H., Special Agent, E. Brown & Sons General Agency.
Gilliland, Adam, Special Agent, Hartford Fire Insurance Company.
Giesy, A. W., Special Agent, Nor. Union Fire Ins. Soc'y, Salem, Or.
Goggin, Gerald E., London and Niagara Ins. Co.
Goodwin, Benjamin, of Christensen, Edwards & Goodwin, Managers American Central, St. Paul, American (N. J.) and Mercantile.
Gordon, Harry F., of Gordon & Frazer, Gen'l Agts. Traders Ins. Co.
Gilroy, P. F., Special Agent, German-American, Phoenix, New Hampshire and German Alliance.
Grant, Geo. F., Manager, Franklin Fire Insurance Company.
Grant, H. M., Independent Adjuster, Portland, Oregon.
Grant, Tom C., General Agent, North British & Mercantile Ins. Co.
Griffith, John T.
Grim, Alfred R., Assistant Manager, Aachen & Munich Ins. Co.
Gunn, John W., Special Agent, Liverpool & London & Globe.
Gutte, I., of Gutte & Frank, General Agents.
Haldan, E. B.
Hally, F. W., Special Agent, Aachen & Munich and Hanover Ins. Companies.

- Hall, O. N., Special Agent, Thuringia Insurance Company.
Hamilton, J. K., Special Agent, Insurance Co. of North America.
Haven, Chas. D., Resident Secretary, Liverpool & London & Globe.
Henry, Carl A., of C. A. Henry & Co., General Agents, Sun Ins.
Office and Michigan F. & M. Ins. Co.
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Fire Ins. Co.
Herold, Rudolph, General Agent, Hamburg-Bremem Fire Ins. Co.
Hill, Chas. B., Special Agent, North British & Mercantile Ins. Co.
Hill, Chas. S., Special Agent, National and Springfield Ins. Co.
Hill, Wm. H., Special Agent, Edward Brown & Sons, Gen'l Agency.
Holmes, Jno. M., Special Agent, Hartford Fire Insurance Company.
Hoagland, W. W., Special Agent, Sun Ins. Office and Michigan
F. & M. Ins. Co.
Hopkins, W. B., Special Agent, London & Lancashire Fire Ins. Co.
Hunter, R. D., Special Agent, Fireman's Fund Insurance Company.
Hughes, Ed. O., Special Agent, Commercial Union, Alliance and
Palatine Insurance Companies.
Ives, S. D., Vice President, Home F. & M. Insurance Company.
Jackson, W. A., Special Agent, Commercial Union Alliance and
Palatine Insurance Companies.
Jacoby, Franz, with Cesar Bertheau's General Agency.
Kellam, F. B., Branch Secretary, Royal and Queen Insurance Co's.
Kinne, C. Mason, Ass't Resident Secretary, Liv. & Lon. & Globe.
Klinger, Wm. M., Special Agent, Fireman's Fund Insurance Co.
Lamey, H. T., Manager Western Assurance and British-America
Assurance Companies.
Lamping, L. F., Special Agent, Thuringia Insurance Company.
Landers, Wm. J., Resident Manager, Northern and Niagara Ins. Cos.
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Lockey, Richard, Independent Adjuster, Helena, Montana.
Lord, Leslie, Special Agent, Colonial Underwriters and Pacific
Underwriters Insurance Companies.
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Lowden, W. H., Manager, Norwich Union Fire Insurance Society.
Lyndall, Chas. P., Special Agent, Home F. & M. Insurance Co.
Macdonald, Burns, Special Agent, London & Lancashire Ins. Co.
Macdonald, Wm., Manager, London & Lancashire, Orient, State and
Netherlands Ins. Co's.

- McKowen, J. H., Independent Adjuster, Spokane, Wash.
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- Manning, F. J. H., Special Agent, Commercial Union, Alliance and Palatine Insurance Companies.
- Manning, William, Special Agent, Atlas Assurance Company.
- Maris, Wm., Special Agent, Royal and Queen Insurance Companies.
- Mayer, F. J. Alex, Oregon State Agent Fire Ass'n of Philadelphia.
- Meade, Calvert, Independent Adjuster, Secretary Fire Underwriters' Association.
- Medcraft, R. C., with Catton, Bell & Co.
- Mel, Louis, Special Agent, Aetna Insurance Company.
- Mendell, Geo. H., Jr., Ass't Secretary, Fireman's Fund Ins. Co.
- Mendell, Jno. M., Special Agent, London and Niagara Ins. Co's.
- Merrill, M. H., Special Agent.
- Mesick, S. P., Special Agent, Pennsylvania Fire Ins. Co.
- Miles, D. E., Assistant Manager London & Lancashire Fire Ins. Co.
- Mitchell, Geo. M., Metropolitan Agent, Home and Westchester Fire Ins. Co's.
- Morgan, W. O., Special Agent, Hartford Fire Insurance Company.
- Morrison, Ed. C., Supervisor of Agencies, Aetna Insurance Co.
- Mullins, C. F., Manager, Commercial Union, Alliance and Palatine Insurance Companies.
- Nason, A. G., General Agent, National Union Fire Ins. Co.
- Naunton, R. H., Special Agent and Adjuster.
- Niebling, E. T., Ass't Manager, Commercial Union, Alliance and Palatine Insurance Companies.
- Niles, Edward, Supt. of Agencies, North British and Mercantile Insurance Co.
- Nippert, Paul M., State Agent, Delaware and British American Ins. Co's.
- Osborn, R. W., Manager, Pennsylvania Fire Ins. Co.
- Overton, G. E., Special Agent, Milwaukee Mechanics Ins. Co.
- Olney, P. de S., Special Agent, Commercial Union, Alliance and Palatine Insurance Companies.
- Olds, A. C., State Agent, Phenix of Brooklyn.
- Palache, Whitney, of Palache & Hewitt, General Agents, Hartford Fire Insurance Co.
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Pope, T. Edward.
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Robbins, F. C. H., Special Agent, Northern Assurance Co.
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Rountree, R. H., Special Agent, Liv. & London & Globe Ins. Co.
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Scott, Chas. O., Special Agent, Insurance Co. of North America.
Sewell, A. F.
Sexton, Wm., General Adjuster, Fireman's Fund Insurance Co.
Sexton, Wm. A., Special Agent, North British & Mercantile Ins. Co.
Shankland, T. C., Special Agent, E. E. Potter's Agency.
Smedburg, W. R.
Smith, Ben. J., Manager, Connecticut Fire Insurance Company.
Smith, Frank G., Special Agent, London & Lancashire Ins. Co.
Smith, C. W.
Smith, H. Brownson, Independent Adjuster, Butte, Montana.
Smith, H. H., Manager, Union Assurance and Law Union & Crown Insurance Companies.
Spears, J. V., Special Agent, Fireman's Fund Ins. Co.
Spencer, D. A., Independent Adjuster.
Spencer, Geo. W., of Boardman & Spencer, Gen'l Ag'ts, Aetna Ins. Co.
Spencer, H. McD., Independent Adjuster.
Speyer, Walter M., Ass't Manager New Zealand Ins. Co.
Speyer, Walter, General Agent, North German Fire Insurance Co.
Stanford, F. C., Special Agent, Norwich Union Fire Ins. Society.
Stovel, C. J., General Agent, American, Dutchess and New York Ins. Co's.
Stover, Fred R., Special Agent, Scottish Union and National Ins. Co.
Stoy, Samuel B., Special Agent, London & Lancashire Fire Ins. Co.
Streeter, Wm. B., Special Agent, Aachen & Munich and Hanover Ins. Co's.
Summerland, Theo., Special Agent, Liv. & London & Globe Ins. Co.
Taylor, Churchill, of Watson, Taylor & Sperry, General Agents, Western and British-America Ins. Co's.

- Thieme, Oscar, Manager Austrian Phoenix Ins. Co.
Thomas, J. O., Special Agent, Home F. & M. Ins. Co.
Thomson, A. M., Special Agent, Pacific Underwriters and Colonial Fire Underwriters.
Thompson, Chas. R., Special Agent, Fireman's Fund Ins. Co.
Thompson, E. R., Special Agent, Atlas Assurance Company.
Thomson, M. H., Special Agent, Pacific Underwriters and Colonial Fire Underwriters.
Thornton, A. W., Special Agent, London and Niagara Ins. Co's.
Thornton, A. C., Special Agent, Fireman's Fund Insurance Co.
Tiedemann, T. J. A., Gen'l Ag't, Scottish Union & National Ins. Co.
Tyson, Geo. H., General Agent, German-American, Phoenix, New Hampshire, and German-Alliance Ins. Co's.
Urmston, J. K., Special Agent, Royal and Queen Ins. Co's.
Von Etlinger, A. T., Special Agent, Commercial Union, Alliance and Palatine Ins. Co's.
Walden, J. B., Special Agent, Royal and Queen Insurance Co's.
Watson, Kenneth, of Watson, Taylor & Sperry, General Agents, Western and British-America Ins. Co's.
Wendler, Chas. A., Special Agent, Royal and Queen Ins. Co's.
Walsh, Frank E., Special Agent, Milwaukee Mechanics Ins. Co., Los Angeles.
Ward, C. H., General Agent, German (Freeport) and Western Underwriters.
Waters, J. N., Special Agent, National and Springfield Ins. Co's.
Watt, Rolla V., Manager, Royal and Queen Insurance Companies.
Wayman, W. O., Manager, Pacific Underwriters and Colonial Fire Underwriters Ins. Co's.
Webber, J. F. R., Ass't Secretary, Home F. & M. Ins. Co.
Weinmann, Louis, Secretary, Fireman's Fund Insurance Co.
Wellington, Geo. J.
Wenzelburger, A., Independent Adjuster.
Whelan, W. D., Special Agent, Fireman's Fund Ins. Co.
White, F. G., Special Agent, Fireman's Fund Insurance Company.
Whitmer, A. W., Special Agent, Home F. & M. Insurance Co.
Whitley, N. B., Special Agent, German-American, Phoenix, German Alliance and New Hampshire Ins. Co's.
Williams, T. H., Special Agent, German-American, Phoenix, German Alliance and New Hampshire Ins. Co's.
Wilson, Walter J., Resident Manager Northern Assurance Co.

Wilson, J. Scott, of Mann & Wilson, General Agents, New York
Underwriters Agency and Teutonia Ins. Co.

Young, Frank W., Special Agent, Thuringia Insurance Company.

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Chard, Thomas S., Chicago, Ill.
Chalmers, W. L., Portland, Oregon.
Carpenter, E. W., Foxboro, Mass.
Carey, Jas. A., San Francisco.
Cofran, J. W. G., Chicago, Ill.
Dickson, Robt., New York.
Donnell, S. M., San Francisco.
Du Val, W. S., San Francisco.
Heifner, C. G., Olympia, Wash.
James, N. T., San Francisco.
Low, Geo. P., San Francisco.
Laton, Chas. A., San Francisco.
Marshall, John, Jr., Chicago, Ill.
McElhone, F. H., Chicago, Ill.
McKenzie, Lee, Seattle, Wash.
Mohrhardt, E. F., San Francisco.
Morrow, J. H., Los Angeles, Cal.
Neal, Robt. W., San Francisco.
Nichols, C. M., San Francisco.
Parkhurst, H. E., Salt Lake City, Utah.
Porter, F. H., San Francisco.
Roberts, T. N., San Francisco, Cal.
Stillman, Alfred, San Francisco.
Stone, J. C., Portland, Oregon.
Smith, A. D., Oakland, Cal.
Thompson, E. L., Portland, Oregon.
Wilson, D. B., San Francisco.
Williams, Sylvester G., Denver, Colo.
Winne, Peter, Denver, Colo.

Two hundred and twenty-two Active Members.
Twenty-eight Honorary Members.

San Francisco Address of the Officers of the Fire Underwriters' Association of the Pacific, for the year 1904.

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A. W. Thornton, Vice-president,	-		Seattle, Wash.
Calvert Meade, Secretary and Treasurer,			503 Safe Deposit Building.
Whitney Palache, Chairman Executive			
Committee,	-	-	313 California Street.
W. H. Lowden, Chairman Library Com-			
mittee,	-	-	314 " "
George F. Grant, Editor Knapsack,	-		218 Sansome "
Edward Niles, Associate Editor Knapsack,			212 Pine "
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W. H. GIBBONS	WHITNEY PALACHE	-	-	Chairman	GEO. W. DORNIN
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CALIFORNIA KNAPSACK

GEORGE F. GRANT	-	-	Editor
EDWARD NILES	-	-	Associate Editor

Proceedings
of the
Twenty-Ninth Annual Meeting
of the
Fire Underwriters' Association
of the Pacific



SAN FRANCISCO, CAL., JANUARY 10-11, 1905

Printed by Order of the Association

1905

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TWENTY-NINTH ANNUAL MEETING

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FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC

OFFICERS FOR 1904.

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ELECTION COMMITTEE

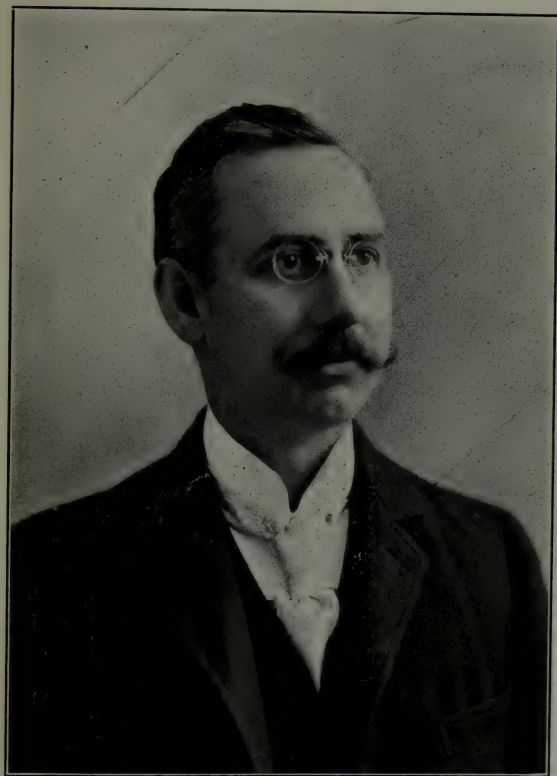
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CALIFORNIA KNAPSACK

GEORGE F. GRANT	-	-	Editor
EDWARD NILES	-	-	Associate Editor



J. L. FULLER

Fire Underwriters' Association of the Pacific.

FIRST DAY.

SAN FRANCISCO, CAL., JANUARY 10, 1905.

The following members and guests were present at the Annual Meeting of January 10th and 11th, 1905:

Andre, A. A.	Bailey, A. E.	Flack, E. B.
Bacon, E. H.	Bertheau, Cesar	Folger, Clinton
Bailey, A. T.	Ankele, J. H.	Folger, Herbert
Bates, H. L. A.	Devine, Geo. E.	Fortmann, W. G.
Benner, Harry	Blanchard, H. P.	Frank, Wm.
Brown, A. M.	Davis, A. G.	French, J. H.
Brush, R. G.	Francis, Guy	Fuller, J. L.
Burke, H. R.	Bangs, Franklin	Fuller, J. H.
Christensen, Chas.	Fogarty, J. T.	Gaston, G. H.
Cleveland, W. W.	Brown, H. H.	Gerould, P. E.
Codding, Geo. C.	Griffith, P. H.	Gibbons, W. H.
Cosgrove, Jno. E.	Gabrielson, C. D.	Gilliland, Adam
Conroy, T. J.	Goodwin, B.	Grant, Geo. F.
Crandall, J. E.	Case, Mrs. Clara	Gordon, H. F.
Crux, Geo. A.	Lyon, John	Farr, F. H.
Cunningham, J. C.	Lauhart, A.	Durbrow, P.
Danker, H.	Driffield, V. C.	Lockey, Richard
Dennis, J. J.	DuVal, W. S.	Goggin, G. E.
Devlin, F. J.	Dutton, Grayson	Fores, H. W.
De Jarnatt, W. B.	Edwards, L. B.	Frith, T. T.
Dick, B. C.	Eitel, E. E.	Fabj, R. P.
Dornin, Geo. D.	Elwell, Wm. T.	Gazzam, W. L.
Dornin, John C.	Farnsworth, E. P.	Grim, A. R.
DeLappe, R.	Field, Alex.	Gunn, Jno. W.
Anderson, C. H.	Fisken, A. F.	Gunnison, A. W.

Hally, F. W.	Hatfield, Prof. H. R.	Stillman, Alfred.
Hamilton, J. K.	Olds, A. C.	Stone, J. C.
Hewitt, Dixwell	Klinger, W. M.	Thieme, O.
Hill, W. H.	Reed, Jas. S.	Thompson, Chas. R.
Hill, C. S.	Miller, W. L. W.	Thompson, E. R.
Holmes, John M.	Heuer, G. A. R.	Thornton, A. W.
Jackson, H. R.	Neal, R. W.	Thornton, A. C.
Kellam, F. B.	Carey, J. C.	Tiedemann, T. J. A.
Kinne, C. Mason	Hawkshurst, C. W.	Urmston, J. K.
Lord, L. H.	Mayer, J. F. Alex.	Walden, J. B. Jr.
Lowden, W. H.	Thompson, Toll	Waters, J. N.
Maris, Wm.	Speyer, Walter	Watt, Rolla V.
Meade, Calvert	Speyer, W. M.	Whitney, Prof. A. W.
Medcraft, R. C.	Webber, J. F. R.	Whitmer, A. W.
Mel, Louis	Nippert, P. M.	Weinmann, Louis
Mendell, J. M.	Sprowl, E. G.	Wendler, Chas. A.
Mesick, S. P.	Schiveley, J. H.	Wilson, Walter J.
Mohrhardt, E. F.	Sewell, A. F.	Wright, B. D.
Moore, J. P.	Trathen, A. H.	Zwick, W. F.
Morgan, W. O.	Eaton, N. H.	Staniford, F. C.
Morrison, E. C.	Richards, J. H.	Smith, C. W.
Murphy, J. A.	Rooklidge, J. W.	Young, E. J.
Osborn, R. W.	Rosenblatt, G.	Stover, F. R.
Palache, Whitney	Rountree, R. H.	Robins, F. C. H.
Raymond, W. H.	Schlingheyde, C. E.	Roberts, T. R.
Kroesen, S. W.	Scott, C. O.	Whelan, W. D.
Lyndall, C. P.	Sexton, Wm.	Richards, J. D.
Harris, B. H.	Smith, H. H.	Schallenberger, C. A.
Keller, W. F.	Smith, B. J.	Robertson, Geo. M.
Hughes, E. O.	Spencer, D. A.	

The President—It gives me great pleasure to call to order this the Twenty-ninth Annual Meeting of the Fire Underwriters' Association of the Pacific, and to welcome you all here this morning. Speaking to you individually, it matters not whether you are in the fire insurance business, or engaged in other lines of work; you are invited to take part in our discussions in either event. This is no secret society in any sense of the term. On the other hand, we invite co-operation from all. What we

want to do is to cultivate closer relations with the insurance public. We want the property-owner to feel that his interests are ours, and that our interests are his. Furthermore, we want him to assist us in adjusting the rate on his own risk. This is quite often done by making needed improvements at a slight expense, securing a suitable reduction in the rate, and thereby saving money on the transaction. We have with us here this morning representatives of the press, and they are welcome, too, for this is another means of sowing the seed of co-operation.

We will now proceed with the regular order of business. If there are no objections, we will dispense with the calling of the roll and the reading of the minutes of the last Annual Meeting. Hearing none, it is so ordered. The first order of business, then, will be the report of the Treasurer. I will call upon Mr. Meade for his report.

SECRETARY AND TREASURER'S REPORT.

The Secretary—The following is my report as Secretary and Treasurer for the year ending January 11, 1905 :

ACTIVE MEMBERS.

Active members January 13, 1904	222	
Elected during the year	18	
	<hr/>	240
Resigned	4	
Deceased	3	
	<hr/>	7
Total active members January 11, 1905		233

ASSOCIATE MEMBERS.

Associate members January 11, 1905	27
--	----

HONORARY MEMBERS.

Honorary members January 11, 1905	28
	<hr/>
Total active members January 11, 1905	233
Total associate members January 11, 1905	27
Total honorary members January 11, 1905	28
	<hr/>
Total membership January 11, 1905	288
	<hr/>

SECRETARY AND TREASURER'S REPORT

FINANCIAL STATEMENT.

RECEIPTS.

Balance in Banks January 13, 1904		\$835 84
Received Annual dues	\$1,060 00	
" " Proceedings	20 25	
" Initiation fees	100 00	
" Library literature	4 00	
" Donations from Insurance Co's.	510 00	
" Interest	23 44	1,717 69
		<hr/>
		\$2,553 53

DISBURSEMENTS.

Paid Stenographic report	\$ 92 80	
" Rent of chairs	6 00	
" Security bond for Secretary	17 00	
" Rent	300 00	
" Deficit annual dinner	120 80	
" Engraving invitations and cards	35 90	
" Printing and stationery	27 65	
" Floral pieces	30 00	
" Engraving memorials	50 00	
" Taxes	1 00	
" Insurance	4 50	
" Annual Proceedings	496 45	
" Librarian's Salary	325 00	
" Secretary's "	150 00	
" Subs. for publications, books and binding	88 25	
" Cataloguing cards and cases	16 88	
" Postage, telephone and delivery	76 55	1,838 78
		<hr/>
Cash balance on hand :		\$ 714 75
" In Bank of California	104 70	
" In San Francisco Savings Union	610 05	
		<hr/>
		\$714 75 \$ 714 75
		<hr/>
Total disbursements during last fiscal year . .	\$1,838 78	
Total receipts " " " "	1,717 69	
		<hr/>
Total loss " " " "	\$ 121 09	

Audited and found correct.

WHITNEY PALACHE,
J. L. FULLER.

ERRATA.

Book Losses	—W. H. Lowden—Wm. Sexton,	-	.50c	and postage
“	“	—F. J. Alex. Meyer	}	
Building Losses—Amos. F. Sewell	}	-	.50c	“



ANNUAL PROCEEDINGS ON HAND.

40	copies of	1877-78 and one bound volume	1877-82
2	"	1879-80	
31	"	1881	
8	"	1882	
0	"	1883-1887	
45	"	1888	
0	"	1889-1891	
32	"	1892	
98	"	1893	
16	"	1894	
57	"	1895	
138	"	1896	
98	"	1897	
152	"	1898	
163	"	1899	
9	"	1900	
57	"	1901	
103	"	1902 and one bound volume	1901-02
182	"	1903	

Five Fire Badges on hand.

PRICES FIXED BY EXECUTIVE COMMITTEE FOR PUBLICATIONS.

Annual Proceedings—10 or less on hand,	\$1.00 each and postage	10 cents
" " Between 10 and 50	.75	" " " 10 "
" " Over 50	.50	" " " 10 "
Knapsack	1.00	" " " 15 "
Book Losses . . . . .	.25	" " " "
Other publications . . . . .	.10	" " " "
Fire Underwriter's Badge	2.00	" " " "

LIST OF PUBLICATIONS OWNED BY ASSOCIATION.

A Celebrated Case	H. M. Grant . . .	72
Book Losses	Lowden & Sexton .	380
Constitution and By-Laws	Association . . .	6
Hops as a Fire Hazard	E. L. Thompson . .	70
Large Fires in American Cities	Herbert Folger . .	2
Proper Vice	B. Faymonville . .	54
Statistics of Fire Underwriting on Pacific Coast	W. H. Lowden . .	229
Growth of Tariff Associations	Herbert Folger . .	1

Waiver and Estoppel	Peter Winne	66
Subrogation	S. G. Williams	230
Knapsacks	Association	309

DONATIONS FOR 1904.

- Auditor Insurance Department } Insurance Laws, New Mexico and New
of New Mexico } Mexico Insurance Business.
- Insurance Department, Colorado—Insurance Laws of Colorado.
- Davis, S. P.—Report of Insurance Committee of Nevada.
- Disten, W. L. Hon.—Chapter 36, Insurance Law of Alaska.
- Dornin, Geo. D.—Volume 32, Insurance Law Journal.
- Dunbar, F. J. } Insurance Laws of Oregon; Report Insurance Commis-
sioner, Oregon; Report of Insurance written, Oregon.
- Folger, Herbert } Proceedings Sixth Annual Meeting National Fire Pro-
tection Association.
- Haldan, E. B.—Best's Insurance Reports, 1903.
- Hammond, J. T.—Corporation Laws, State of Utah, 1903.
- Home Mutual Insurance Company—Insurance Economics.
- Inspection Bureau—Fire and Water, 1898; Standard, 1891-2.
- Insurance Commissioner, } Insurance Laws, Idaho; Report of Insurance
State Idaho } Commissioner, Idaho; Act Creating an In-
surance Commissioner, Idaho.
- Insurance Commissioner, Wyoming—Insurance Laws, Wyoming, 1901-3.
- Insurance Institute, Manchester, England } Insurance Institute (1901-2)
Hon. H. M. Bently, Secretary } (1902-3).
- Schively, J. H. } Insurance Laws, Washington; Report Insurance Com-
missioner, Washington; Preliminary Report of Insur-
ance Department, Washington.
- Stoddard, J. T.—Insurance Laws, Arizona.
- Spectator Company—Fireproof Construction (P. M. Stewart).
- Stillman, Capt. G. R. } Thirty-fourth Annual Report Fire Insurance
Patrol, Philadelphia (1903)
- Weinmann, L. } Insurance Year Book, 1903; Fire Insurance Patrol,
Philadelphia, 1903.

The President—Gentlemen, you have heard read the report of the Secretary and Treasurer. What is your pleasure?

Mr. Gibbons—I move that the report be accepted and placed on file.

Mr. Lowden—I second the motion.

The motion unanimously prevailed.

The President—The next order of business is the report of the Executive Committee. In the absence of Mr. Palache, Chairman of that committee, I will call upon Mr. Gibbons to read the Committee's report.

EXECUTIVE COMMITTEE'S REPORT.

San Francisco, Cal., January 10th, 1905.

GENTLEMEN:—

The year has been an uneventful one for the Association, and the duties of the Executive Committee have been limited to consideration of the matters left in their hands at the last Annual Meeting.

You will recall that these were—First, the proposed amendments to the Constitution, and Second, the suggestion that steps be taken to bring about a federation of the Fire Insurance Associations in the United States.

The amendments were three in number:—

First—With reference to enlarging the Executive Committee to five.

Second—Permanently changing the date of the meeting to January, instead of February.

Third—Providing for an associate membership of clerks in the various offices.

The votes filed with the Secretary are overwhelmingly in favor of all three amendments, as follows:—

First amendment, being amendment to Article IV—ayes, 137; noes, 7.

Second “ “ “ “ “ X— “ 133; “ 10.

Third “ “ new “ XII— “ 113; “ 21.

Ten votes suggesting modifications not counted.

The matter will be disposed of finally at this meeting, the Constitutional requirement being that a two-thirds vote of members present at the Annual Meeting is necessary to adopt an amendment.

Your committee has given careful consideration of the recommendation of the previous Executive Committee as to the federation of the Insurance Associations of the United States, but after full discussion it was thought that there did not exist a common basis on which such federation could be made effective at the present time. Your President,

Mr. Fuller, announced, however, that the matter of establishing in this Association an educational system similar to that in use in various institutes in Great Britain and New Zealand would have careful discussion in his annual address, and it was thought wise to defer any action until his recommendations should be made and carefully considered.

Your Executive Committee has co-operated with your Library Committee in the matter of securing accommodations for the library in the Merchants' Exchange building. Their joint efforts were crowned with success and the Library Committee will acquaint you fully with what has been accomplished.

The membership of the Association has increased, in spite of our losses by resignation and the still sadder losses by death, three of our members having passed away since our last Annual Meeting.

The report of our Treasurer will indicate to you the usual careful handling of our funds. The extraordinary expenses which were incurred in 1903 for the library were continued during the past year, and the back work has been practically completed now, so that the work in future will be simply maintaining the library in its present excellent condition. These extra expenses, however, were met by voluntary contributions from the insurance companies and did not involve drawing upon the funds of the Association.

We wish, in closing this report, to pay our tribute to your Secretary, who has so long and so faithfully served the Association. The work that he has done for the Association has not been and cannot be recompensed. It is a labor of love, and only those who have intimate knowledge of the labor involved can realize what this service has been. He has amply earned a release from these labors, but we sincerely hope that he will reconcile it to his duty to himself to continue the work.

Respectfully submitted,

WHITNEY PALACHE,
W. H. GIBBONS,
GEO. W. DORNIN.

The President—You have heard the reading of the report of the Executive Committee. What shall be done with it?

Mr. Lowden—I move that the report of the Committee be received and placed on file.

Mr. Folger—I second the motion.

The President—If there is no objection, it will be so ordered. Hearing none, it is so ordered. We will now listen to the report of the Library Committee, of which Mr. W. H. Lowden is Chairman.

LIBRARY COMMITTEE'S REPORT.

For the first time in many years the Library Committee is able to present a report free from regrets concerning the past year, and full of hope for the future.

The work of indexing the library, which was well under way at the time of the last Annual Meeting, is practically completed, and it is now possible for members to secure the information they seek at the expense of a minimum amount of time and labor.

Through the joint efforts of the Executive and Library Committees a room has been secured adjoining the one in which we are now assembled, which is in every way suited to the wants of the library. Through the courtesy of the Executive Committee of the Board of Fire Underwriters this room has been placed at our disposal free of rent. The only restriction placed upon our exclusive use of the room is an understanding that should two committees of the Board happen to hold meetings at the same hour, it can be used for their accommodation.

This matter of having the library located in a convenient place has been a very troublesome one, and the Association is to be congratulated on the satisfactory arrangements which have been made.

It is to be hoped that this is the last time your Committee will find it necessary to deplore the lack of interest manifested by the members in the use of the library. The past year has been no exception to those preceding it so far as neglect of the opportunities is concerned, but now that the books are conveniently located, easily accessible and properly indexed, we may confidently expect a change for the better.

On the occasion of the last Annual Meeting, the Executive Committee recommended that an addition be made to the by-laws which would permit the admission of associate members under proper restrictions. Such an amendment has been prepared, and has received the necessary vote to secure its adoption. This vote was taken by correspondence, however, and in order to make its adoption legal, it will be presented to you at this meeting for confirmation of the action already taken.

The associate members elected under the new provision will have the use of the library and be furnished with a copy of the Annual Proceedings, in return for which they are to pay annual dues of \$2.50 each.

We have every reason to expect that many young men of our profession who are ineligible to become members will take advantage of this privilege, and the income from dues can be devoted to the support of the library.

This question of library support is the only one which requires consideration at this time, and your committee desires to acquaint you with the facts and submit its plan.

An arrangement was made last year by which the services of Mr. J. P. Moore were secured at an expense to the Association of \$25.00 per month. This sum was out of all reason when we consider the character of the work done by Mr. Moore, and had it not been for that gentleman's enthusiasm the library would have remained in its former chaotic state.

In order to meet even this trifling expense (without disturbing the amount deposited in savings bank), it was found necessary to appeal to the offices for help to carry on the work.

This appeal was met with donations amounting to \$510, which carried us through the year successfully.

Our plans for the future support of the library are as follows:

The Secretary of the Association should be a member, but the position should be made an honorary one without work and without pay. The only duties required of him should be attendance at the Annual Meetings, and the direction of the work performed by others. It is not fair to any member to ask him to do the work of the Secretary's office for the sum we have been paying, and as a tribute to Mr. Meade, we are justified in saying that he has been very patient under the load.

Some competent person should be appointed to take up the Secretary's work, and act as librarian at such compensation as we are able to pay, and while our financial condition will not enable us to offer sufficient recompense for the labor, still we think that satisfactory arrangements can be made within our means.

The salary allowed the Secretary at the present time is \$150 per annum, and the rent of the rooms formerly occupied by the library was \$300, or a total expense of \$450. By increasing this expense to \$600 per annum, your committee believes that a competent assistant to the Secretary, who would also perform the duties of Librarian, can be secured.

We recommend, therefore, that the Library Committee be authorized to employ an Assistant Secretary and Librarian at a salary of \$50.00 per month, and that the Committee be instructed to arrange with the Librarian regarding his office hours in such manner as will be most convenient to the members of the Association.

The President—Gentlemen, you have heard the reading of the report of the Library Committee. What is your pleasure?

Mr. Folger—I move, Mr. President, that it be received and referred to a Committee to be hereafter appointed to consider the President's Address.

The Secretary—I second the motion, and I suggest that the report of the Executive Committee be also referred to the same Committee, and that that be incorporated in the motion.

Mr. Folger—I will add that to my motion, Mr. President.

The motion passed unanimously.

The President—The next in order on the program is the President's Address, which I shall now read.

PRESIDENT'S ADDRESS.

To Members of the Fire Underwriters' Association of the Pacific, and guests—

GENTLEMEN :

On behalf of the Association, I extend to you all a hearty welcome to this our twenty-ninth annual meeting.

The dismal old assembly room, where our meetings were held for so many years, is now a thing of the past, and, as a happy contrast, we are here assembled in this light and airy room on the fourteenth floor of the new Merchants' Exchange building, having a delightful view of the city and bay, all of which should lend inspiration to our efforts.

The most important duty devolving upon me as President of this Association is to follow the custom of delivering an address. In making preparations to meet this requirement I encountered many obstacles, prominent among which was my attempt to disprove the old saying, "There is nothing new under the sun." This self-imposed task, strange to say, remains unaccomplished, and your attention, therefore, will be directed to "warmed over" subjects.

Before proceeding with the problems of this life, let us, in memory, turn to those members of this Association who, during the year just closed, were relieved from earthly cares — John O. Thomas, Edward Brown, J. J. Agard. We can only bow in submission to the

law that controls all life, and say on behalf of each: While here you did your work well and earned a full measure of our respect and esteem; what more can be said at this time? The many virtues possessed by these men are truly expressed in tributes of respect which have been compiled in usual form and will appear in the Annual Proceedings.

OUR LIBRARY

has just been installed in the room adjacent to this assembly room, and it is, therefore, most conveniently located for the use of members. The index system is complete and up to date, for which service we have to thank Assistant Librarian Moore, who will, later on during the meeting, tell us something about the value of the library.

You have been advised through the reading of the Treasurer's report of the financial aid rendered this Association by various offices for which we are truly grateful. This assistance was necessary to enable the completion of library work without entirely depleting our bank account.

THE CUSTOM

prevalent in this Association of declining to give out Papers for publication before the Proceedings are printed in our Annual is, I think, a mistake. The Papers read before this Association are quite as valuable and interesting to the members of our profession as are those of other Associations, and they should be made available for publication in the Eastern insurance journals, as well as in our own. The Eastern journals, however, very naturally decline to publish stale matter, and the result is that our contributions to the sum of insurance knowledge very seldom get beyond the limits of our membership. The custom is, therefore, an objectionable one, and I recommend that it be abolished.

On a line with the educational work to be considered at this session, I recommend the publication in pamphlet form of practical Papers read before this Association, thus rendering them of every day use to the field men, also, in view of the necessity of adding to our revenue to meet the increasing expenses brought about by educational and library work, I suggest the advisability of fixing prices on Papers in pamphlet form that will yield a good margin of profit to the Association. The selection of Papers under this head and prices on same to be made by the Executive Committee.

THE BUSY YEAR

just closed has dealt liberally with the fire insurance interests of the Pacific Coast. While the actual result is not yet known a carefully pre-

pared estimate indicates that the companies, as a whole, have derived a better profit for the year than has been enjoyed since 1891, with possibly one exception. It must be borne in mind, however, that this favorable showing does not mean so much as may be inferred by the casual observer, for the reason that there has been quite an increase in the premium income, which in turn represents an increased liability, and this must be protected by the necessary reinsurance reserve. The showing is, therefore, affected accordingly. Furthermore a mental provision, at least, should be made for meeting possible

CONFLAGRATION LOSSES

which may yet arise from the liability assumed on the year's transactions, for the reason that the conflagration hazard is an element of great uncertainty, and may not have been adequately provided for in the rates charged.

This contention is borne out by the recent action taken by the National Board, in having appointed what is known as the committee of twenty, the duty of which is to have inspections made of the congested sections of large cities by competent engineers, and when it is found that an extra conflagration hazard exists, recommendations are made to increase the rates of the district to meet it. A representative of the War Department has also been detailed to co-operate with this committee in making such inspections, which action shows conclusively that the movement is a meritorious one. Under this regulation a number of congested districts in Eastern cities have been inspected and rates increased to meet the conditions as they were found to exist. Furthermore, Pacific Coast cities, comprising San Francisco, Sacramento, Los Angeles, San Jose, Portland, Tacoma, Seattle, Spokane, Butte, Helena, Ogden and Salt Lake City have recently been put on the itinerary of conflagration inspectors, and we shall look forward interestedly for the results of these inspections.

While a good share of the increase in

COAST PREMIUMS

for the year is attributable to the general prosperity of the country, such increase has been considerably augmented by the abnormal income from three year risks in California, which is an inheritance of the rate war nine years ago. In this connection it is well to have brought to our attention periodically the war of '95, and especially the causes that brought it on, so that upon the principle that "a burnt child dreads the fire," a more

wholesome respect for sound practices may be influenced in favor of "preserving the goose that lays the golden egg."

In thus adhering to the importance of keeping the business on a profit paying basis is it not wise to look carefully into the situation at this time, in order to find out, if possible, what the prospects ahead of us may be? While 'tis true that the financial results from year to year on this Coast have been all that could reasonably be asked for, yet, with even such a good showing of work well done, are we justified in judging the future by the past? I'm afraid not, for the reason that the business conditions of the country are undergoing changes, which render it necessary that we should adapt ourselves to the new conditions coming upon us.

F. C. Moore, in his book entitled "Fire Insurance and How to Build,"

SOUNDS A NOTE OF WARNING

on this very subject. He says: "It may safely be said that the underwriting of to-day is growing year by year, to closer lines, requiring more careful inspection and a better knowledge of fire cost, and that the days when an underwriter needed only a shovel to take in premiums, the average of which would be high enough to cover all mistakes and to make up for inadequate rates on exceptional classes, have gone by forever. There is absolutely no luck, good or bad, in fire insurance, and the underwriter who contends for and acts on an opposite theory would do well to sell his stock and get into some other business."

While Mr. Moore has based his conclusions on conditions prevalent throughout the East, still as "Westward the star of Empire takes its way," we cannot, at the present time, be very far removed from the same influences.

For further light on the subject let us look into our own

HISTORY OF THE PAST :

To me the reflections cast indicate that, in common with other lines of trade and professions on the Coast, the business of fire insurance has been swept along by the tide of prosperity from the early days down to the present time, with but few reverses. During all this time we have shared in the good things going without any very great effort, other than to gratify our greed for business, upon which a fair margin of profit has been possible. This free and easy course, although productive of good results for the time being, has brought in its train careless practices and feelings of indifference for a more thorough knowledge

of the business. Under such conditions it has been necessary to fill positions of responsibility by those having only a limited experience, and as a result the companies have been called upon to pay dearly for the mistakes arising from

INEXPERIENCE AND INCOMPETENCY.

This question calls to mind my own experience of going actively into the insurance business, and it so accurately fits the case that I shall briefly relate it, feeling that you will pardon me for making this personal reference.

In a little town up in Oregon I represented a few fire insurance companies, purely as a side issue, and after about six years' experience was offered the position of special agent, by a manager of one of the companies I represented. To say that I was surprised did not fully express my feelings. I could not, for the life of me, understand how a company could afford to pick up a local agent of my limited knowledge of the business and start him out on the road to do work of which he knew absolutely nothing. It is true I had learned the A B C's of tariff rate book No. 4 and knew how to make up the ordinary policy form, but of what assistance could this primitive knowledge be in giving intelligent instructions to local agents, or in the adjustment of fire losses? With this feeling I hadn't the nerve to "tackle" the job, even though the salary was quite an object. I took the proposition under advisement, however, and when I found that this course was the one usually employed in selecting field men, I decided to accept the position, feeling that where others had succeeded I might not fail. About this time I was honored by a call from an old insurance man connected with one of the companies I had represented, and being still in doubt as to whether I would succeed as a special agent, I asked his opinion about it. He smiled knowingly and replied that I would get along all right but that the company would, of course, have to

PAY DEARLY FOR MY EXPERIENCE.

This conversation took place fifteen years ago, and while the expense to the company of paying for my experience may possibly be at an end, I am not so sure but that the company is still paying for my lack of technical training in the business. I am not willing to admit, either, that this weakness is confined to my case alone, but am compelled to take the position that it is general.

Therefore, in the light of my own experience and observation, I am convinced that of all the hazards with which we have to deal,

THE HAZARD OF INCOMPETENCY

is one about which we think very little and know still less, for the reason that its cost is so completely swallowed up in the expense and loss accounts, that the drain from this source on the finances of the companies is never known, otherwise our eyes might be opened to the necessity of creating better educational facilities for present requirements, as well as for training the rising generation of underwriters.

If the foregoing argument is not logical, I should like to know why. As a test, I submit below a few of the many important questions affecting the fire hazard that come up in our every-day experience, and ask how many of those present can give intelligent answers to all or any of them:

The first questions relate to

OIL.

Explain the difference between the flashing point and the ignition point.

Which is the higher and about how much?

Which is the better test of the safety of an oil?

What do we mean by a drying oil and under what circumstances are they most dangerous?

COMBUSTION AND EXPLOSION.

What is combustion?

Describe the various steps in the process of combustion.

What is an explosion?

What is necessary to obtain the full force of an explosion?

EXPLAIN THE CONDITIONS

that cause each of the following to be dangerous from a fire insurance point of view:

Freshly oiled hardwood work.

Water proof oiled garments.

A pile of iron filings.

These questions were taken at random from the educational course of the insurance institutes on the other side, and the value to every insurance man, of the knowledge demanded by them, cannot be consistently denied. The "specialist" adherent, however, will doubtless take the position that the knowledge required by such technical questions is not necessary to underwriting qualifications, but that it properly

belongs to the education of the Board specialist, and right here is where we are at the present time.

MY CONCLUSIONS

on this subject are, that the insurance man who continues to justify his ignorance of technical insurance knowledge by hiding behind the "specialty" argument, may soon find himself relegated to a back seat in the profession, for, in the name of common sense, how can a special agent, examiner or manager, pass intelligently on risks affected by the hazards arising from dangerous agencies, without having at least a general knowledge of them?

What I wish to show is this, that to be fitted for the business of fire insurance in its broadness, there should be thorough training in the *rudiments*, as well as in the higher branches, and this cannot be accomplished by our present system of education through the slow process of experience alone, besides this course is entirely too expensive to the business.

Having thus stated my views in favor of technical training as a requisite of our profession as it is to-day, the next thing devolving upon me is to point out the way for reaching the desired end. This part of the task is easy, however, for the reason that the problem has already been solved and all we need to do is to appropriate the experience of others. I refer to

INSTITUTE WORK,

and shall proceed to give an outline of it by first bringing up the question which was introduced at our last Annual Meeting, relating to federation of insurance institutes.

The report of the Executive Committee included a suggestion that invitations be extended to other Associations asking them to join with us in forming a federation similar to that of Great Britain and Ireland. This suggestion was adopted and invitations were sent out by the Secretary to kindred organizations throughout the United States. Up to the present time, however, none of these invitations have been acknowledged in any way. This may be accounted for by the explanation that the measure submitted is one requiring consideration at Annual Meetings and that sufficient time has not elapsed in which to take the necessary action. My investigation of the subject, however, leads me to believe that this silence forebodes lack of interest, mainly on account of the movement being premature.

This conclusion is based upon the workings of the insurance institutes of Great Britain and Ireland, from their inception down to the

present time. In comparison with them, none of the insurance organizations in the United States have advanced in technical education to the position demanded by the objects of federation. This being the case we have nothing on which to federate, and it is highly important that we should take the necessary steps to qualify for the advanced position which was sought through this movement. This can and will be done if proper interest is manifested by the members of this Association. I shall try, therefore, to

POINT OUT THE WAY

which has already been blazed by our brethren in Great Britain, commencing with the Institute of Actuaries which was founded in 1848. While this institute, as the name implies, is devoted to life insurance, its existence and workings influenced the formation of other life institutes and also those combining life and fire, the first of the latter class being the Institute of Manchester, which was founded in 1873. In the course of time nine other combined fire and life institutes were founded, all embodying about the same educational scope, which includes a regular course of study and examination of students.

The examination is conducted by a Council composed of the Institute Members and Educators from the outside. Successful candidates are granted certificates of efficiency, which, I understand, is required of the young man who expects to be successful in securing a position in an insurance office.

In 1897, these institutes, ten in number, federated under the name of the

FEDERATION OF INSURANCE INSTITUTES

of Great Britain and Ireland, which is the only federation of insurance institutes in the world to-day. As to the objects and scope of this Federation I am not fully advised, but from information at hand it appears that the course of study is laid down at each annual meeting of the federated body and a complete syllabus of subjects circulated for the information of students. At a stated time, later on, are held simultaneous examinations at all the Institutes and the candidate passing the examination at either of them, has earned recognition from the Federation and is entitled to a certificate from that Body. The value that is placed upon the privilege of being thus recognized by this federated body is demonstrated by the action of our friends just across the border line, in Canada, where is located two thriving young institutes, viz.: The Insurance Institute of Toronto and The Montreal Institute. These two institutes work jointly in the educational course and are now practically

members of the federated body on the other side. Their appreciation of the system is shown by a brief resume of the

“EDUCATIONAL COURSE”

as appearing in the last annual report of the Toronto Institute, as follows:

The key-note of the work of the Institute is Education—and in particular, education in insurance subjects. The Council believes that an Insurance Institute is specially called upon to carry on such work, and is also deeply convinced that great benefits must accrue to officials and clerks, as well as to the policyholders and stockholders of all insurance companies in Canada, through a sound course of instruction in insurance for those who are in the future to aid in carrying on the business of these companies. The Council, accordingly, at the beginning of the session appointed an Educational Committee with authority to draw up a course of education, suitable for the purposes in view and having regard to Canadian Insurance practices. The Council announced the intention to hold annual examinations in this course and to grant certificates to successful students. The negotiations carried on by the Council with the Federated Insurance Institutes of Great Britain, with which this institute is affiliated, have resulted in that body, not only approving of our syllabus, but agreeing to recognize the examination conducted by this institute, by granting to our successful candidates the certificate of the Federated Insurance Institutes of Great Britain. Further negotiations are now under way with the Montreal Insurance Institute, to the end that both institutes may adopt a common syllabus. This will be submitted to the Federated Insurance Institutes of Great Britain, and if approved, the certificates of the latter body will continue to be granted to successful students.

Within the limited time at my disposal I have been able to obtain data from Toronto bearing on institute work that could not be had from the pioneer institutes on the other side, and as Canadian conditions more nearly conform to our own, we can do no better than to look into the “joint educational course” as laid down by the Insurance Institutes of Montreal and Toronto as set forth in the

SYLLABUS OF EXAMINATION,

fifth session, 1903–1904:

The institute course consists of three grades and the studies employed are described in the examination list which I quote in full so that a clear understanding may be had as to the scope of the work.

First Examination.

- (a) Arithmetic.
- (b) Euclid, Book I.
- (c) Algebra, up to and including Quadratic Equations.
- (d) Composition.
- (e) Book-keeping.
- (f) Geography.

Second Examination.

- (a) General rules and tariffs of the Canadian Fire Underwriters' Association.
- (b) Average and Co-insurance Clauses.
- (c) Plan drawing to scale.
- (d) Chemistry—elementary.
- (e) Reinsurances—policy drafting and endorsements.
- (f) Correspondence—office practice.
- (g) Building construction, including heating, ventilating and lighting.
- (h) Electricity—elementary.

Third Examination.

- (a) Application of the Canadian Fire Underwriters' Mercantile and Special Schedules upon actual survey.
- (b) Fire protection, municipal and private.
- (c) Sprinkler equipment.
- (d) Chemistry—advanced.
- (e) Electricity—advanced.
- (f) History of Fire Insurance.
- (g) Loss adjustments.
- (h) Insurance Law.
- (i) Government Statements and Analysis of Companies' Accounts.
- (j) Theses on at least two important classes of manufactories.

These are to be sent to the Secretary within twelve months after passing final examination. The Certificate of the Institute will not be issued to a candidate until such theses have been furnished and approved.

Accompanying the syllabus of examination are notes on syllabus of examination giving the proper source of reference bearing on each subject and the student, therefore, can proceed at once with the course of study without first having to search for the information.

UNDER THE REGULATIONS OF THE INSTITUTE

the first examination may be waived in case of young candidates who have passed examination in the University covering these branches. The first examination may also be waived in the case of candidates 25 years of age or more who have had a general education and experience in business, satisfactory to the Council.

No candidate may enter in more than one branch in the same year, examinations being held annually.

After having passed all examinations the candidate is given a certificate. Examination fee \$1.00.

From the foregoing it is understood that the labor connected with such educational course is confined to

- (1) Preparing the syllabus.
- (2) Advising course of study.
- (3) Conducting the examination.

This labor is certainly insignificant compared with the benefits to be derived from the work.

FROM THIS BRIEF RESUME

of institute work it may be understood that we have ample means at hand with which to conduct a similar educational course that might be made the leading feature of this Association. In the first place we have a valuable library. We also have competent members for institute councils, and as to the educators whose duty it would be to assist in arranging the syllabus and to conduct the examinations, I think we would have no difficulty in enlisting the aid of the board office specialists and University of California professors who are interested in the subject of insurance. In addition to having access to the course of studies as laid down by the foreign institutes, we would have the

NATIONAL BOARD COURSE

of questions from which to draw, and I can now see no obstacles in the way of taking up the proposition, unless, possibly, it would be for lack of pupils.

This doubt arises on account of so little interest having been shown in the library heretofore by the members of the Association. However, under the new regime of associate membership, more interest can be expected from younger members, for the reason that the insurance clerks who are willing to come in under the restrictions imposed on associate members, must necessarily have in mind the advantages afforded by the

library. On this line of reasoning they should show even greater interest in institute work.

The success of the scheme, therefore, depends largely upon the young men, for I cannot think that the older members of this Association would hesitate in performing the duty they owe themselves and the companies they represent by neglecting to seize an opportunity for bringing about a needed reform, provided the conditions are favorable.

Here we are one hundred companies strong handling a premium income aggregating upwards of \$15,000,000 annually, without the proper educational safeguard. Just think of this, too, by way of comparison: The head office staff of one company alone constitutes the active membership of one of the institutes included in the Federation of Insurance Institutes of Great Britain and Ireland. Furthermore insurance institute work, so far as I can learn, is confined to the English speaking countries of the globe, and the

UNITED STATES

is the only one of them not having this system of education. Just see where we stand: Circled around us is Great Britain and Ireland with eleven institutes, Australia with five, New Zealand with two, South Africa with one, and Canada with two.

In view of the foregoing, the question now arises, Must we continue in the narrow path, or shall we broaden our course and try to keep up with the procession of educated workers? If the latter course be decided upon, let us *act now* and have it said that the first recognized insurance institute founded in the United States was established under the auspices of the Fire Underwriters' Association of the Pacific.

(Applause.)

The President—I am not going to invite discussion upon the educational feature of my address at this time. I hope, however, that when it comes up in the committee's report, due consideration will be given to it. I do not claim any originality of thought in connection with this matter, as I have merely continued a subject that was introduced in the President's Address last year. In other words, my predecessor "started the ball rolling," and I have tried to keep it going, and hope that it will roll indefinitely.

I hardly think it is necessary, gentlemen, that a motion be made for the appointment of a committee on the President's Address, will, there-

fore, proceed to appoint that committee: Mr. Herbert Folger, chairman; Mr. Whitney Palache, Mr. F. J. Alex. Mayer, Mr. F. B. Kellam and Mr. A. W. Thornton.

The Secretary—I understand, Mr. President, that the committee appointed is also to consider the recommendation of the Library Committee and the Executive Committee?

The President—Yes. The motion of Mr. Folger includes these matters as well.

Mr. Folger—Mr. President: The Secretary has asked me to read and make some proper comments upon an unusual telegram which has been received, and which reads as follows:

“Chicago, January 9, 1905.

J. L. FULLER, President,
314 California St.,
San Francisco, Cal.

The Union felicitates the Fire Underwriters' Association of the Pacific upon the Coast record of 1904. May the encouragement your Association gives to united effort be continued, and your influence in the direction of good practices never be lessened.

J. W. G. COFRAN, President.
JOHN MARSHALL, Jr., Secretary.

One of the features of this telegram is that it is the first one to be received from the Union, which is the official title of the Western Union, known on this Coast as the organization which controls rates and forms in the Middle West, covering from fifteen to twenty-two states. We have sometimes heard from the Special Agents' Association, but never before from the managers. The second feature is that Mr. Cofran is a Pacific Coast man, having formerly been connected here with the Hartford Fire Ins. Co. and Commercial Ins. Co. of California, at Portland, Oregon; was then promoted to the position of manager of the Hartford in San Francisco, and subsequently became the manager in Chicago. His associate, Mr. John Marshall, Jr., the Secretary, is also a Pacific Coast man. He is Associate Manager of the Hartford Insurance Company, and was for many years prior thereto special agent under Robert

Dickson, the manager of the Royal Exchange and other companies. So that we have here a message from our own members, in a sense, far away.

Mr. Sexton—I am invited by General Agent Fabj to state that Mr. Marshall is associate manager of the Fireman's Fund.

Mr. Folger—I beg pardon for making such a break, Mr. President. I knew that.

Mr. Sexton—We are always willing to take all we can get, and so I will say further that Mr. Cofran started as a special agent for California and was transplanted to the Northwest.

Mr. Folger—The Northwest men always have been conceited, Mr. President. I came from Portland, Oregon, and we didn't know that anything ever went before Portland.

The President—We will now listen to the next number upon the program, which is A Library Talk, by Mr. J. P. Moore.

A LIBRARY TALK.

J. P. MOORE.

Read at the Twenty-ninth Annual Meeting of the Fire Underwriters' Association of the Pacific, San Francisco, Cal., January 10-11, 1905.

It is not really necessary to have a library talk, Mr. President. The library should talk for itself. But last year when we had our meeting here, the question came up about whether members frequented the library, and it was said truly that they did not know very much about it; the reason being given that it was so far away. I am happy to say that, as has been alluded to here, the matter has been adjusted, and you now have not far to go when you come to the Board to find out what the library has to say to you, and it will be only a pleasure, I am sure, for whoever may be there to show you what the library is.

In his address, your President seems to have covered about all that can be said in one way regarding the library—that it is adapted to your needs. I hold in my hand what probably many of you have seen, and may have received (I don't know as to that), viz.: the course of study which the National Board of Fire Underwriters' in 1904 sent out to the

different offices, as I understand, a copy of which we received in the library. This course they recommended to the different companies as being adapted to prepare young men for the work of insurance. As it is very short, I will read it to you. It is simply a syllabus, and of course no questions go with it. As has been explained, the syllabus is merely the subjects upon which questions are made up for an examination. It is as follows: Explosion; Spontaneous Combustion; Temperatures of Ignition; Use and Abuse of Gasoline; Use of Kerosene, including pressure systems; Acetylene Machines and Storage of Carbide; Fuel Oil, storage and Use of; Electric Wiring and Apparatus; Boiler Plants; Steam Heating Plants; Heating and Ventilating in General; Origin of Fires and Detection. Special Hazards in connection with Processes of Manufacture; Special Dangers from Leakage of Electric Current; Water Works, Public and Private; Protective Appliances; Automatic Sprinklers; Structures (fireproof or slow burning); Insurance Survey and Maps; Rate Making; Adjustments; Schedules and their Application; Application of Co-insurance; Application of Distribution Clauses; Insurance Law; Standard Policy; Insurance Office Work (General Practice in).

As the President has said, you have no confederated institutes in the United States. The National Board, therefore, looking over the ground, and acting, as it were, as a sort of parent of all, has seen the necessity of an educational course for young men, and has thrown this out as a suggestion to you all. I do not know but that you are all omniscient, as I might say, but I will venture to state that out of the number of gentlemen I see gathered here, perhaps one or two of you might be able to tell me what are the hazards we have represented in the library. I am speaking now of your own department of fire insurance, and not of life insurance. In the library, you will find, touching the subjects that the National Board has sent out, 725 books and articles on hazards alone. There are many hazards entering into your occupation, and your special agents, your local agents and you yourselves are supposed to know what those 725 hazards mean, touching, as they do, your own business, your own pockets and the pockets of those who are employing you or whose companies you represent—the stockholders, in other words. Are you prepared to say that you are posted, and sufficiently posted on the 725 hazards?

Let us take up an analysis of this for a moment. Take the subject of fire insurance generally, with which you are dealing. In the Association's library you will find 64 books and articles treating wholly on the

subject of fire insurance; that is, the broad principle of it. You send out your men for the purpose of surveys. What has your library to help them upon that subject? We have six works on fire insurance surveying. You all believe in automatic sprinklers, and sprinklers are coming to be the common thing, and in many instances are required. What have you to help your men on that great subject? There are 35 articles and books treating on the subject of automatic sprinklers. Then again, you have your adjusters, and I presume they are thoroughly posted. But they might find some help in the 26 books and works that we have in the library touching on their own subject. Under "Schedule Rating," which comes up constantly with you in the Board, as my friend Mr. Folger here well knows, the subject is treated of in seven volumes. Electrical hazards, constantly increasing on every hand, are treated of in the library in 28 works. I run these through very hastily, as showing that we have some works in the library that touch upon subjects so vital to the insurance business.

The question was brought up by the President as to what is spontaneous ignition, what is ignition, what is combustion? As he read that, I pulled a card out of my pocket with this upon it: "The principal substances liable to spontaneous ignition or explosion, and which are a high fire risk." On that subject we have 252 articles, to tell the young man what is combustion, what is the ignition point, what is the flashing point and what is the difference between them. Then again, take the subject of working processes. We have upon that subject of working processes that are dangerous as fire risks, 68 different articles and works.

So you see the young men entering the business, and the old men, too—for I hope you are none of you too old to learn—can find in your library in half an hour or an hour's time, or perhaps even in a few minutes, something that will interest them, something that will engage their attention and help them. The fact is the few that have called (and they have been very few the past year) have said: "Why, I am surprised. I didn't know that you had any such thing as that here. I pick up a book here, and I begin to read, and I find there are things that I want to know." And that is going to be the fact, gentlemen, as you become more familiar with your library and its contents. You will find in it works which you never have received in your own offices, you have not seen them, you do not know anything about them, they do not come to you, some of them you cannot buy if you try, but they are sent to the organization.

So I speak of this as the educational side of the library. I could go over the syllabus which I have here in my hand, and from it and the list of books which are recommended by the National Board, and you will find material right here in the library from which you can find answers to all the questions they have asked. It of course remains for you to say whether it is worth your while to develop the young men who are to take your places, or to develop men that are fitted to go on with the work in which you are engaged. The day is certainly coming when this work will have to be taken up by men who are competent, and not by haphazard men. Now, the only way to get them is to train them—and the only way to train them is through books, whether through the books of this library or of the University. And the institute for training which has been mentioned here should by all means be established. You are the normal school yourselves, and the children about you must come here with partial training or with greater training and graduate from you to go still further on.

I suppose all of you received the little slip from the New York Evening Insurance Exchange. If you received it, you saw what a single office in New York has done. It is the nearest thing to an insurance institute established in the United States. They state that they have every year half a dozen young men going away from their offices, and that they have to replace them with young men who are inexperienced. And so they said, "We will form a school right here," and they have given you a syllabus of the work. They have taken a view that it is necessary to have for insurance men who have had previous training of the mind. A barren mind will produce only barren results. It is like a barren fig tree. A man who is going out into such a work must have some training. They have found, as other companies have found, that, taken all in all, a college educated man is the best man you can take to train at your institutes, because he has the habit of thinking. But it does not stop with the man of college education. You have got to bring the boy up to that point, and in order to do that, you must form the institute.

Perhaps I am taking too much of your time and not talking strictly about the library, because I have preferred to let the library talk for itself, which it can do much better than I can. (Applause.)

The President—Mr. Moore has certainly given us a very interesting talk on this subject. I see that we have Prof. Whitney from the State University with us. We would be glad to have him give us a few words on the subject.

Professor Whitney—I have been very much interested in this talk of Mr. Moore's. I have had occasion to talk and consult with him a good deal in trying to get a few books together in the University, and I have seen how valuable your library is. I am very certain that such a library is of the very greatest kind of assistance to an insurance man. I have always been thinking I should be able to use it more myself. I know that with my students in the course of insurance at the University that I give, I have thought that if we might very easily come to an understanding under which I could feel free to use the library for them, or get one or two of them who are working on special subjects to have access to the library, it would be of the greatest kind of advantage to us. I am very much interested indeed in Mr. Moore's talk and seeing the development of the library.

Mr. Folger—I am very glad to hear from Prof. Whitney, for the reason that it is to him that we must look for most of the results in insurance education at the University of California. It is owing to his own personal work that their own library has lately acquired more or less material in the way of insurance literature. While it is true that the University must be limited largely to life insurance just now, we have the hope that in two or three years the plans which are being developed in Eastern colleges will be followed in California, and the subject of fire insurance dealt with. Simply as a member of the Association, I would like at this time to voice the thanks of many to Mr. J. P. Moore for the good personal work done by him. As the report of the Library Committee indicated, the compensation given Mr. Moore was merely an honorary and not at all in proportion to the work done. Had the work been done by one less trained than Mr. Moore, or one who had less heart in it, we never should have accomplished the results that have been attained. I had it in mind to read a paper before this meeting on the preparation of insurance papers, which I should have done, had time allowed, and in that event I had hoped to call attention, as Mr. Moore has done so well, to the excellent material in the library. When this Association was formed in 1876, and for several years afterwards, I

think all the Papers were reports of committees. Committees were appointed, for example, to deal with adjustments, special agents, local agents, etc., and there was a great deal of regularity and similarity of the Papers for four or five years, until the appointment of committees was done away with, and the preparation of Papers on fresh subjects was urged. In the course of the twenty years or more which have followed, it has become necessary to prepare Papers which were more critical and thorough than formerly, and I think we may say with pride that the character of the Papers read before this Association within the past five years has been very high. They can only be kept up to that standard by study, and any member of this Association who desires to write a Paper ought immediately, very early in the year, to visit the library and find out what he can secure from that source, and he will discover that his information will be better and more valuable than anything he could get in any other direction. (Applause.)

The President—The next Paper on the program is entitled Sprinkler Inspections, by Mr. George M. Robertson.

SPRINKLER INSPECTIONS.

GEO. M. ROBERTSON.

Read at the Twenty-ninth Annual Meeting of the Fire Underwriters' Association of the Pacific, San Francisco, Cal., January 10-11, 1905.

Mr. Chairman and Gentlemen: The title of this Paper as read by your Chairman is rather pretentious for my production. I have not prepared a Paper on sprinkler inspections generally, but have simply taken the salient points of a sprinkler inspection, supposing that what the President would like to have me do was to present some general ideas of how to conduct a particular sprinkler inspection, how to go into the plant and find out whether the sprinkler system was in working order and good condition. Of course, sprinkler inspection is an immense subject, and covers the whole ground of the installation and use of the system, its type, the water supply, and so on, all of which I have to consider in this Paper as being given, because it would take a long time to cover the entire subject, and after I got through reading it and you had finished hearing it, you would still have to go to some book and take it out of that, if you desired to use the information.

THE OBJECT OF EVERY INSPECTION

is the ascertainment of facts; the particular fact sought in a sprinkler inspection is whether or not the conditions established when a sprinkler equipment is installed are maintained. These conditions vary according to the climate and the hazard.

In the region near the Pacific Coast, as far north as Crescent City, it is possible to have all the pipes filled with water at all times without danger of freezing; this state of things constitutes what we know as a wet pipe system. In the Northwest, and in the interior, particularly in the mountains, it is upon the whole preferable to have the pipes filled with air under pressure up to the moment when that pressure is released by opening a sprinkler head; this occurs when fire melts the fusible alloy holding in place a small valve or plug. This is known as the

DRY PIPE SYSTEM.

I assume that the system to be inspected has been correctly installed and that you desire to learn whether or not it is operative, and whether it continues to protect the premises as well as it did at time of installation.

First visit each valve supplying the system. I mean the valves located upon pipes known as "risers," which take water from main pipe uniting several supplies and convey it through appropriate distributors to the sprinkler heads themselves.

These valves are usually of the indicator type; that is, they have a small plate which moves when the valve moves and discloses the words "shut" or "open" when the valve is shut or open, as the case may be; it is not wise to rely entirely upon these, however, as they are sometimes disarranged and give false indications; to be entirely sure, turn hand wheel in proper direction to open it, usually from right to left as you stand facing it. Second, observe whether small cock on pipe leading from valve casing to alarm mechanism is open. Third, observe pressure shown by gauge connected with valve chamber and note whether cock on connecting pipe is open.

It is good practice to have two pressure gauges at each valve, one showing pressure in riser, and the other showing pressure in system. One of these may be, and usually is, dispensed with in wet pipe systems, for the reason that when alarm is tested, pressure is communicated to gauge from riser and may be noted in that way.

IN A WET SYSTEM

there are two bodies of water. One is in the system, properly speaking, above the valve, and the other is in the supply pipe below the valve

Very frequently, when there has been water hammer, or from some cause or other there has been a higher pressure in the main supply pipes than there ordinarily is, the valve is raised and a high pressure is established in the system, and in looking at the gauge you frequently think you have a good condition of things, 60 or 70 or 80 lbs., but when you release that pressure, the water will run out quite a bit before the valve will open, and when it does open, the pressure immediately falls to 20 or 30; in fact, pressure may be entirely wanting and the valve may remain closed; the gauge will show the change when valve opens.

On a dry valve, however, it is very convenient to have a gauge connected with the water and one connected with compressed air in pipe; this is so because in winter it is unadvisable to flood the system. There is usually a sprinkler head in each dry valve closet, taken directly off the riser, and a gauge may be attached to this pipe; observe whether the valve is secured open by a leather strap riveted in such a way that it is impossible to move hand wheel without cutting strap. This completes the inspection of a wet valve.

INSPECTION OF A DRY VALVE

is a more extended operation. It involves besides the points to be examined in a wet valve—that is to say, Is the gate valve open on riser? is the alarm connected? does the gauge show pressure?—the additional matter of assuring yourself whether or not air is on system. There are three types of dry valve on the approved list of the National Fire Protection Association. They resemble each other in having between the sprinkler system filled with compressed air and the supply pipe filled with water under pressure, an empty space; or to be correct, a space filled with air at ordinary atmospheric pressure.

Inspection of either of these valves consists in satisfying one's self that the three spaces mentioned are occupied in the way they should be; if that is the case, the valves will work when proper conditions arise. In Grinnell valves, which are quite common on this Coast, valve retaining water and valve confining compressed air to system are rigidly connected; in fact, they form one piece, and one cannot move without the other; if one of these two sticks or fails to leave its seat, the other must necessarily remain in place also. In other words, it is a differential check valve having the area acted upon by total pressures on opposite sides, of unequal value, so that a comparatively small pressure per square inch on one side will balance a high pressure per square inch on the other side. This difference is from one to five to one to seven,

larger areas being on the compressed air side; that is, one pound per square inch air pressure will balance from five to seven pounds per square inch water pressure.

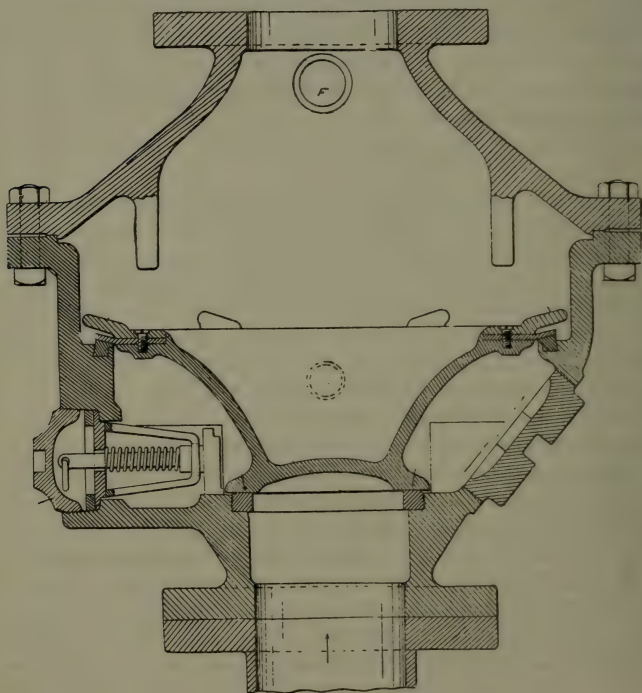
It appears at a glance that if, from any cause, sufficient water should pass from water side to air side, it might by its mere weight acting upon the larger area close the valve and hold it in place. This is known as

COLUMNING THE VALVE,

GRINNELL VALVE

— FOR THE —

AUTOMATIC SPRINKLER DRY PIPE S.YSTEM



so described because it is the weight of the column of water standing in

system which, acting upon the larger area, overcomes the pressure of water supply acting upon the lower area. In order to prevent this a latch moved by a spiral spring always under a tension, is adjusted in the valve casing, and presses continually upon the side of the valve, so that when it rises this latch slips between it and the seat and effectually prevents it from closing. In addition, then, to what we did when inspecting a wet valve, we must examine whether pressure indicated by gauge on air side is due really to air under pressure, or to the weight of water which may have accumulated over the upper surface and be there in sufficient quantity to keep the valve closed. This is ascertained by opening a small cock communicating with the system and noting whether air or water comes out; sometimes quite a good deal of water will be found in the system, due to

CONDENSATION OF HUMIDITY

carried into it when air is pumped in to replace that lost by leakage. This should all be allowed to escape before cock is closed. Plates closing hand holes in valve casing are then removed and latch examined, first to see whether spiral spring is really pressing upon valve and ready to act, and also to see whether the little projection or lip which forms lower end of latch in immediate contact with the valve is still there; this is very important because it is very necessary that valve should not be raised from its seat and allowed to fall again, and this little lip accomplishes that object by slipping into the space even if it is very small. After testing this latch by means of the little ring attached to it, replace the hand hole plates. It is of course understood that the system holds the air pressure; if it loses more than two pounds per day it should be overhauled, and one pound per diem loss is better still. If pipes do not hold air well, the system is likely to be flooded at any time, and to reduce the chance of this, engineer in charge of system is tempted to keep the pressure too high. I have recently inspected a plant where the engineer pumped air up twice a day. There were four dry pipe systems, and two of them lost 16 lbs. a day each, and two of them 30 lbs. a day each. Consequently, when an engineer came on watch (there was an engineer in attendance at all times), he began by pumping pressure up to about 50 lbs., and then he looked at the gauge occasionally as he went about, and if pressure went down too much, he pumped it up again so that the system was always under pressure. That is, of course, utterly inadmissible, because in the case of a fire, it would take too long to exhaust air pressure, raise valve, and have the

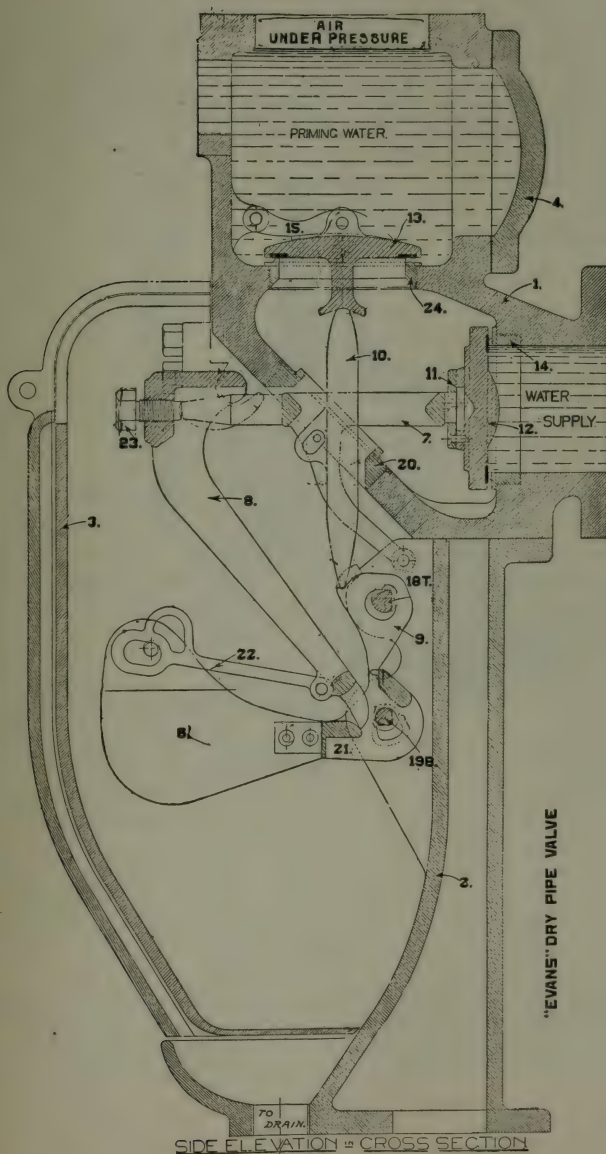
water come. Air leakages of that magnitude were evidently the result of some serious defect—a defective casting or a split pipe—and it is absolutely necessary that the air leakage should be confined within reasonable bounds. One system that I know loses about 5 lbs. per month. This is in a paper warehouse, where there is very little vibration, and consequently very little leakage from the pipe threads, castings, and flanges. Although the field practice of the Association calls for a performance of one pound leakage or less a day, I think that is rarely attained. Some very good valves leak as much as two or three pounds a day, and if I find they do not leak any more than two, I am very well pleased with them, because that can be allowed to go on for several days without danger of tripping, and you can be perfectly sure that the system is all right.

THE ALARM MAY BE TESTED

in a wet valve either by opening a valve installed for that purpose at the highest point of the system, or by opening the drains; either operation causes valve to open and water to flow into alarm motor. The first of these methods is preferable, because aperture of test valve is of exactly the same size as aperture of one sprinkler head, and enables us to judge of what would happen if one sprinkler head were opened; this test by valve having same aperture as one sprinkler head is particularly important in places like department stores or other mercantile establishments containing valuable stocks where a sprinkler head might be released by a fire, which it might extinguish immediately, and then continue to discharge water and do immense damage if attention were not called to it.

It is desirable always to note pressure indicated by pressure gauge attached to system before opening test valve or drain and after opening it. The first reading, which is always the higher of the two, gives the maximum pressure that has been on the system since it was last opened and the second gives the pressure on the supply main at time of test.

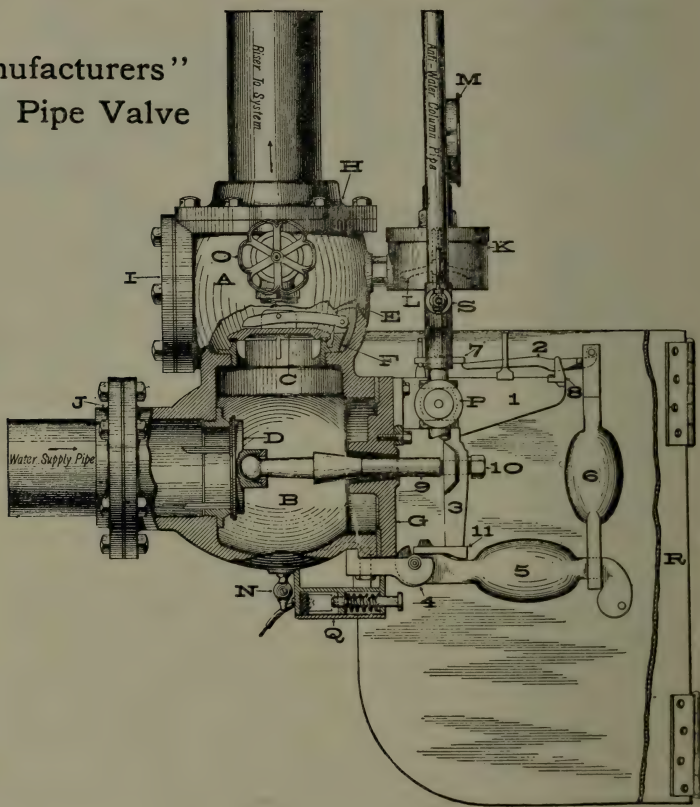
Alarms attached to dry valves may also be tested by opening the system, but this is not advisable if the weather is cold, as it involves draining all of water out of pipe, setting valve and putting pressure in them again, which is to be avoided when possible. Many dry valves are now installed so that water pressure may be applied to alarm mechanism without flooding the system or raising air valve from its seat. This is accomplished by leading water under pressure to motor through pipe installed for that purpose.



A DRY VALVE INSTALLED

in this manner may be seen at the National Ice Company's cold storage building in this city. That is the only dry valve in the city. It is very well put up. It has a little pipe which leads the pressure from water riser to the alarm motor, a little water wheel, and is very satisfactory.

“Manufacturers’
Dry Pipe Valve



The Manufacturers' dry valve and the Evan's or International dry valve, which are the other two types approved by the National Fire Protection Association, resemble each other and differ from the Grinnell valve by having two separate valves for keeping water in the riser and

compressed air in the system. An ingenious arrangement of levers and weights operates release of water when air pressure falls, and permits it to fill the system.

The same points are to be established in inspecting them as for the others : Is the supply valve strapped open? are the alarm gong and motors connected with the systems? and is there proper water pressure in riser and air pressure in system? are the moving parts, which insure proper operation of valves, in their right places and correctly set? If these facts are established, the valves may be relied upon to act. Next in order is the examination of

WATER SUPPLIES.

Gravity tank should be visited by going up to it and looking into it, if this is possible, or by filling it to overflowing if it is unsafe to go up to it. A tell-tale or indicator, a cover and a good safe ladder, are the proper accesories to a well installed tank, but the tell-tale should never be trusted for an inspection, although it should be examined and tested, because it is used by man in charge of equipment, and should be kept in good condition. If an automatic pump is one of the supplies, action of the governor is tested by releasing the pressure against which pump works and observing whether pump motion is accelerated or not. After determining this point, close valves permitting water to get to sprinkler system, and work pump against relief valve by admitting steam through main steam pipe. The governor being served through a by-pass, it is well to close this when testing pump through main supply or throttle. If pump supplies a line of hydrants in addition to sprinkler equipment, one or more hose streams may be used to test it; pump should move freely without any rattling or grunting noise, and piston should make the full stroke. There is an indicator on the side of the casting which shows what stroke the piston makes. About 70 revolutions per minute is the speed which pumps should make, but in an emergency and when well served, they may do better. Pump tests include a careful examination of source of supply as well as the discharge. It sometimes happens that the pump is in good condition, but that there is nothing to pump. Quite recently a gentleman exhibiting with much pride a 1,000-gallon per minute underwriters' pump, was much chagrined when his pump exhausted the water supply in three minutes through one line of hose; it should have run for an hour with four lines of hose. The case was this: There was a suction tank, quite large, holding several thousand gallons of water. It was supplied from a flume leading from one creek and a four-inch pipe from another creek, and both of these sources of supply had

failed. A board which had allowed water to enter flume had slipped down, and there was no water coming from that source, and the four-inch pipe did not carry any water because the stream supplying the large pipe (which in turn supplied the four-inch pipe) had been diverted from its bed for a short time for some reason. This has been corrected, however, and is not likely to occur again. I merely cite the incident in support of my statement that the source of supply for the pump should be examined as well as the discharge.

PUMP SHOULD BE IN CONDITION

to start immediately without having to fill oil cups, or open drain cocks. If the attendant has to do this before he is willing to start pump, it cannot be considered as an entirely satisfactory automatic machine.

Pressure tanks one-third full of air under pressure and two-thirds full of water are excellent sources of supply, as they furnish a fine initial pressure and are very reliable because they are entirely under the control of the parties having the plant, and if they are out of condition, it is the fault of those parties and of nobody else. They should be inspected to see whether they contain air and water in proper proportions and under proper pressure; this is made visible by pressure gauges and by glasses similar to those in use to show level of water in boilers, and when inspection is finished, pressure should be shut off of glasses. Those tanks should always be located on top floor of building. If they are not located there, the pressure should be made to correspond with the location, so that the final pressure on the last drop of water coming out of that tank should give at least 15 lbs. per square inch at the highest line of heads.

All valves connecting these various sources of supplies with the sprinkler equipment should be fastened open by chains padlocked so it is possible to close them when occasion requires and not otherwise. Sometimes, however, they are enclosed in stout boxes or closets with locked doors and then the chains are not indispensable.

A SPRINKLER EQUIPMENT

which has all the valves open and in serviceable condition, and all the sources of supply open and in good order, is very likely to be effective and these are the most important features of the inspection.

The remaining points to be covered may be summed up briefly thus:

1. Condition of pipe lines—Have any been bent or disconnected, or pushed out of position, either raised so high that the heads on them

are up between the joists or jammed against ceiling, or pushed so low that water discharged from them would be wasted? Do they drain well? Have they been turned in a way to leave the sprinkler heads turned side-wise or at the wrong angle to the surface they are intended to protect? These points may be quickly determined by following the main distributor and looking along the laterals from the points where they join the distributor. Take a ladder and go around the pipe, and just look at the pipe lines, as far as they are visible, and you can see at a glance whether they are in condition.

2. Condition of heads—Are they clean? Are they bent, twisted or flattened? Is there any sign of corrosion or deposit? This requires individual inspection of each head. It is surprising, though, how readily a bent or painted or whitewashed sprinkler head will catch the eye if one makes a practice of observing them closely; obstructions also are very readily seen and should be removed. A few of the more incongruous ones that have been found are hats and articles of clothing hung up to dry, tin cans, planks and pieces of board, also ropes made fast to sprinkler heads and piping for various purposes; frequently electric wires are attached to or hang down to it. Obstructions may be removed, but serious corrosion may necessitate cleaning all the parts or perhaps replacing them by new heads. I have seen these obstructions not once but many times, and they should always be called to the attention of the man in charge of equipment and immediately corrected.

Elevators in flour mills, spaces under broad benches against the wall, closets, bins, little offices, and all spaces of that kind should be examined with the greatest particularity to see that they are protected, for they are constant sources of danger and are the most likely to be present because they are small and out of the way.

After examining all of those places,

GO OVER THE PLANT CAREFULLY

to see whether there have been any additions to it; and if so, whether they have been correctly equipped. See also whether any shafting or pulleys have been installed under a floor in a space supposed to be unoccupied, as this is a favorite performance, particularly in woodworking plants.

Ask for and examine watchman's clock record and report file; that is, file kept of reports made by man in charge of equipments.

If these points have been carefully covered and found satisfactory the inspection may be considered complete.

This is necessarily a brief outline, a skeleton of a sprinkler inspection ; it contains, however, the essential points, and any amplification of it would be merely an accumulation of details, things which readily occur to an inspector when he is on the ground, and which do not need to be especially mentioned. The report of committee on Field Practice to the National Fire Protection Association is a very useful little publication, and gives everything that needs to be done to ascertain the exact condition of sprinkler equipments, and I recommend it to everybody in need of that information in compact form. (Applause.)

The President—This being an expert topic, it is not possible to discuss the Paper in the ordinary way, but there may be those present who would like to ask Mr. Robertson questions regarding it. If so, I am sure he will be very glad to answer them.

Mr. Gazzam—There is one point that occurred to me as you passed along, and that is that the pressure on the dry valve might become so great by the escaping water as to counteract the pressure in the riser, inasmuch as the superficial area of the dry valve is from five to seven times that of the area in the riser. I would just like to ask you this question: What is to prevent the water, when it is in regular action and rises above it, from reseating the valve, so as to prevent its operation ?

Mr. Robertson—In the Grinnell valve, the little latch prevents that. It comes in under the valve, and holds it in place, thus making a free waterway. The area of the upper surface of this valve is very much larger, as you suggest, but the size of the riser above is exactly the size of the riser below, and when the valve has been opened and kept open, the water passes freely around it and the valve itself is of no further consequence. It is principally in the case of a differential check valve that columning would be most likely to occur. In the other arrangements, the valve itself is simply a little impediment, but it would not prevent the water from going through, because the water is always supposed to be under sufficient pressure to give 20 or 25 lbs. per square inch, at the highest line of sprinkler head, and certainly the valve once released cannot be reseated ; it is impossible for it to do so.

Mr. Thornton—There is another question: I have never been able to find out whether or not there is a sediment in the pipes.

Mr. Robertson—There is only one way to find that out, and that is to take a head off one end, or disconnect the pipe and observe it, and it is a very good thing to do, particularly when one of the supplies is salt water. We do not have many of that kind, but occasionally we do. In one case a number of pipes in a plant were obstructed with sediment and upon taking off a number of heads no water flowed through the pipe at all. Three or four lines of sprinklers were there entirely inoperative.

The President—Can this be done without shutting off the water?

Mr. Robertson—No. Of course a system is inoperative while you are doing that. At the same time, it can remain operative when you want to examine one particular portion, as then you can leave the water in the other parts of the system and look to that one. In a "Gray" system, with which I am familiar, where the heads hang down instead of standing up, they catch a great deal of sediment, the deposits accumulate in the heads, and they have to be taken off occasionally and cleaned. When that is done, the attendant simply cuts out one line at a time, puts on a cap, leaving the rest of the system operative, and cleans out the disconnected heads. The only way to observe the sediment is to observe it.

Mr. Gazzam—What was the nature of the deposit?

Mr. Robertson—Iron rust.

Mr. Gazzam—That could not be eliminated by flushing.

Mr. Robertson—Not very well. You see the pipe diameter decreases as it leaves the main, and the end is a $\frac{3}{4}$ inch pipe, and it goes from that to an inch, and an inch and a quarter, and so on, and if there is very much sediment the sediment is jammed pretty hard into the small end, and it is simply necessary to take all those pieces of pipe down in order to get the sediment out. When it is mere mud, like the

Sacramento river mud, for instance, it can generally be cleaned out by opening the end of the pipe and running water through under pressure. You can clean it entirely in that way.

Mr. Gazzam—You can eliminate the question of rust with galvanized-iron pipe.

Mr. Robertson—To a certain extent, yes. It would be far preferable, if you were going to use salt water, to use galvanized-iron pipe.

The President—Is that a requirement of the salt water system?

Mr. Robertson—No, it is not; black iron is generally used, and if it is washed out and examined, although some rust is found to have been formed, it does not form in a serious way—with the ordinary pipe, I mean.

The President—Mr. Robertson has certainly given us a valuable Paper. I think it would be a wise course to have the Paper so prepared that a special agent can carry it along with him and study same while riding on the cars, so that when he examines a plant he knows how to go about it. Are there any further remarks or questions upon the subject of this Paper?

Mr. Gazzam—I would suggest that prints on a small scale like hose that have been used here by Mr. Robertson in his illustration, be printed with the Paper.

Mr. Robertson—I will furnish some small prints with the Paper.

The President—That is an excellent idea. It is very necessary.

Morning session adjourned.



AFTERNOON SESSION.

The Convention was called to order in afternoon session at two o'clock p. m., President J. L. Fuller in the Chair.

The President—We will now proceed with the order of business. I shall first call upon Mr. F. C. Staniford, who will give us a Paper on The Careless Hazard in Our Business.

THE CARELESS HAZARD IN OUR BUSINESS.

F. C. STANIFORD.

Read at the Twenty-ninth Annual Meeting of the Fire Underwriters' Association of the Pacific, San Francisco, Cal., January 10-11, 1905.

The hazard of carelessness as affecting the business of Fire Insurance when placed within range of sober reflection, develops so many serious conditions and presents such an array of costly blunders, that it is quite impossible within the limits of this Paper to fully discuss the subject and do justice to its importance.

The multitude of forms in which this hazard appears and its tremendous effect on the loss and expense ratio, is sufficient reason for an attempt to stimulate interest in an investigation of its results and devise means to stop its growth.

As a source of expensive annoyance, it is the most potent force opposing success with which underwriters have to contend, and its reduction as a hazard is a problem worthy of serious consideration.

THE PHYSICAL HAZARD

has never received so much attention as at the present time, and the companies co-operate for its reduction, employing for this purpose specially trained engineers and inspectors, reaching out for all possible information bearing on the various increasing hazards forced upon them by modern industrial methods.

Without special reference to the infinite number of defects in construction, use and occupancy, which in themselves would fill a volume, or to the various means employed to lessen the dangers, or the vast

benefits derived through co-operation from this attention to the purely physical hazard of the business we write, I will pay my respects to some features of the

CARELESS HAZARD

affecting insurance interests through the channels of inattention to detail and our method of accepting liability.

The local agent, that important and valuable member of the profession, is so assiduously cultivated for premiums that much of his value as an underwriter is buried under the greed for business.

Being, as he is, the chief factor of the productive avenue, unwise concessions have been forced by competition for favors at his hands, and in consequence a careless disregard of necessary detail has attained a strong foothold in the agent body.

Many of the most carefully prepared plans for the protection of insurance interests have been set aside, and the acceptance of a risk, instead of being an important business transaction, is too often treated as a matter of little consequence and unworthy of even ordinary attention, the premium appearing to be the all important consideration.

THE TRAINING OF AGENTS

under present conditions lacks system and co-operation. Specials are often widely at variance in their opinions of what is necessary, the difference being so marked that it creates in the agent's mind an element of uncertainty, and he is filled with incorrect notions as to the importance of the business, the dignity of his position, and the necessity for care and attention at that most critical period in the history of an insurance contract, *the time of accepting the risk*.

Many of these specials will spend much time in giving the agent a thorough drilling, and with infinite care and patience instruct him in rates and forms, and on the occasion of each visit discuss insurance, as well as premiums, showing him the necessity for a thorough knowledge of the personal, moral, physical, and business side of the risk, and of the value of a full and complete daily report or application of each risk written, the purpose being to so assist the agent as to increase his effectiveness, and, while not losing sight of his duty to increase the premium income, seeks to raise the standard of insurance ideals and write business that will stand investigation after a loss, keep the companies out of the courts and their reputation sound.

This reasonable and necessary attention given the local, while often appreciated and acted upon, is not infrequently rendered useless and in-

effective by unwise methods of cultivation adopted by some ambitious brother who is over-anxious to increase his business. Being fearful of losing premiums by insisting on attention to detail, and afraid to say anything which will conflict with the agent's views, he adopts the plan of "patting him on the back" under any and all circumstances. Furthermore, in order to simplify his work, and resting under the plea that it is too much trouble to bother with so many questions, he opens the door for the entrance of all manner of annoyances by telling the agent to pay no attention to the questions, "What the company wants is premiums. Send us the business and we will take care of the rest," thus inaugurating a system of competition which is dangerous in its tendency and needs to be curbed.

TAKING ADVANTAGE OF A PLAN

which will reduce his labor, particularly if his principals are indifferent to such course, and finding that his reports will be accepted "with thanks" just as quickly if he leaves the questions unanswered, as though he answered them, he begins to write business for the premium consideration alone, and to accept liability without inquiry, thus creating a hazard through carelessness which is not only expensive to the company sustaining fire loss thereby, but also to the business generally through the inculcation of bad practices.

A SHARPER CONTRAST

is hardly possible than that which exists between our system of rate making under the schedule and the method of accepting liability through the broker or local agent.

The surveyor approaches a risk with a carefully prepared schedule, and after a thorough inspection from cellar to roof, proceeds to apply his basis rate, charges for area, defects in construction, and for occupancy and exposures, inspecting carefully also for faults of management and negligence, such as stove-pipes not well protected, bottom of elevator shaft used for store room, accumulation of rubbish, swinging gas brackets, broken glass in windows, sawdust spittons, ash and waste cans other than metal, furnaces and stoves insecurely protected, unsafe fire places, steam pipes against wood, and electric lighting not installed according to Board rules.

He is instructed that these faults, when discovered, are to be brought to the attention of the owner of the premises by written notice, and a reasonable time is allowed to correct them before the rate is increased. The risk is then made the subject of credits for inside and outside pro-

tection, for superior construction and other betterments, and the rate is found to be \$2.62.

THE SURVEYOR'S INSPECTION

of the purely physical side of the risk has been thorough and little has been left to faith, chance, or guess-work ; the report is complete in detail and, right or wrong, his reasons for the rate are fully shown.

An agent, made careless through bad influences, approaches the risk with a daily report prepared with equal care and solicits the insurance. He secures a line of \$5,000 on Mr. Willburn's stock at \$2.62, premium \$131.00, writes the policy, makes up the daily report, gives the special rate page and line, also the map reference showing that nicely made red spot No. 15, block 75, sheet 6, puts in O. C. I. P. for sake of appearance, and mails it without a question answered.

Unlike the surveyor, he has given no reason for accepting the risk ; he knows nothing of Mr. Willburn save that he has a stock of merchandise in a brick building which, by inference only, he supposes Willburn owns ; has no knowledge of its value or whether it is encumbered ; did not inquire as to the amount of insurance carried or whether the policies read alike, nor whether the insured kept account of purchases and sales, was doing a good business or ever had a fire.

All this necessary information was passed over in that breezy, careless way which the big premium getter is too often fond of exhibiting as an evidence of superior insurance knowledge.

"THOSE FOOL QUESTIONS

on the daily report may be all right for a green agent, but I have no time to waste on such trifles ; the Board made the rate, the rate covers the hazard ; if you don't like the risk, I have other companies only too glad to take it," are words that every special has listened to more than once and wondered what could be done to show our friend and fellow-worker the dangers of his position.

The big premium getter is defined by Judge Ostrander, as one—"who, while somewhat increasing the volume of premiums, has done more to disgrace the character of underwriting and cause distrust and contention, than all other causes combined."

The companies tend to

ENCOURAGE THE CARELESS HAZARD

by issuing a set of blanks for reporting risks which, to the agent having a number of companies, is certainly a discouraging mixture.

A few believe that ten questions are enough to furnish them with the information necessary to pass the risk; while others are equally sure that less than seventy-five are insufficient. All agree, however, in one thing, namely, that the questions must be answered, as each urges it, in black faced type.

AS COMPETITION HAS DECREED

that the question of risk is of vastly less importance than that of premium income, the companies are reasonably consistent and pass, approximately seventy per cent. of the agent's contributions without a question answered. These silent approvals of inattention to detail carry a burden of liability, the hazard of which (save possibly the physical) will never be known, except through fire losses or law courts.

I do not wish to be understood as believing that the business has reached a state of possible annihilation simply because the questions on our blanks are not answered, for there would be nothing so tremendously serious in an agent passing in a daily report minus the information, if it were known that he was fully posted, and had written the policy from actual knowledge of the conditions, but there is too much room for guess work, and it is safer to treat the silent daily on its merits as indicating the extent of the agent's knowledge of the risk.

It is certain, however, that the passing of an incomplete daily report is an expensive toleration, an unwise concession to the agent, unjust to the company and detrimental to insurance interests generally.

THE LOSS FILES,

perhaps, offer the most forcible expression of the careless hazard and may give support to my views.

An examination of paid and contested claims and the reports of adjusters will show that there is something wrong, for not less than seventy-five per cent. of the policies under which claims for loss are made, would work a hardship on either the company or the insured, if adjusted strictly under the terms of the contract.

IT IS AN EXPENSIVE SYSTEM

which forces the loss to establish the facts and give the first information that there was a bad moral hazard, a dispute as to title or no title whatever; that the building stood on leased ground and was over-insured; that the insured had sustained losses in another state; that his risk had been refused by other companies; that there was a chattel mortgage on the stock; that the insured kept no books of account; that the risk was

vacant and unprofitable; that the insured had never taken an inventory and did not know the value of his stock; that he was doing an unprofitable business; that half a dozen agents had written on the same risk according to their own notions, and that no two of the policies read alike; that there was specific and blanket insurance on the same subject; that the policy was so faulty in its covering that the company could pay but a portion of the claim, though the loss was in excess of the insurance; and numberless other inaccuracies,

CHARGEABLE TO THE CARELESS HAZARD,

which tends to influence far beyond the limits of direct loss and creates unfavorable public opinion, breeds valued policy laws, incites adverse legislation, makes unsatisfied clients, and indicates the crying need of a better system for training "the man behind the gun."

IF MORE EVIDENCE WERE NEEDED

to show that carefully accepted liability and properly written insurance is as essential as adequate rates, it is only necessary to note the views held by the courts.

Lack of space prevents quoting the many decisions bearing on nearly every phase of the careless hazard. But a recent decision of a State Supreme Court covers so much ground that I will mention it as indicating the attitude of these bodies toward this feature of our business.

I refer to the Allesina case of Portland, Oregon, where the agent neglected to ask the question with reference to chattel mortgage, thus provoking a law suit in connection with which the court rendered

THE FOLLOWING DECISION,

which I quote from the November Coast Review article on the subject:

"When an insurance company issues a policy covering mortgaged property without a written application, and without making any inquiry as to encumbrances, accepts and retains the premium without any statements or representations being made in reference to encumbrances by the assured, the latter paying the premium and accepting the policy in good faith, not knowing that an encumbrance in any way affects the contract, or that the company intends to insist upon the mortgage clause, the company will be held to have accepted the risk, with liens and encumbrances thereon, and to that extent have waived or modified the printed terms of the policy."

I am informed that the courts in several states have made the same ruling.

THIS DECISION, AS I VIEW IT,

is simply one of the results of the careless hazard, and would never have been rendered if the question had been asked. Every prohibited list reads: "Property encumbered by chattel mortgage." Every daily report asks the question: "Is the property mortgaged and for how much?"

In this case the chattel mortgage was in existence at the time the insurance was effected, but none of the questions on the daily report were answered. If the insured was not interrogated, answers could not be expected.

Judge Ostrander says: "That more than one-half of all incendiary fires refer directly to a want of judgment or want of conscience in taking the risk," and he further states "that the moral hazard created by reckless underwriting adds in losses from \$60,000,000 to \$75,000,000 every year, and that where the insurance cancels the personal interest of the owner in the risk, a moral hazard attaches."

New agents are being appointed, new specials are being tried out, and both need proper training; and, while it may be possible that some of the older agents may resent any innovations and be inclined to think that anyone who imagines that he can get the questions answered is afflicted with delusions, there can be no objections to submitting a few suggestions for improvement and offering a few thoughts for consideration.

ONE OF THE FEATURES

which appears to be necessary to bring about a reform is a demand for a less number of questions on the blanks for reporting risks. The signed application from which we have progressed—backward—and under which adjustments were more satisfactory than under any subsequent plan, while still in use to some extent, has largely been abandoned save for farm business and special hazards, very few companies insisting on them for general use.

For years the agents have cried out against an overload of questions and have signified their disapproval in various ways. Some have gone so far as to print their own blanks, and we accept them with apparent satisfaction.

I FAVOR A UNIFORM DAILY REPORT

in so far as the questions are concerned. It may be any color, shape or size, and all other matter, save the questions, be arranged as best suits the desires of the individual company.

I would eliminate all complications and reduce the questions to the least number consistent with reason, not exceeding twelve or fifteen at most, these to apply only to the ordinary daily report or application, leaving the individual company to handle its farm business and special hazards as best serves its purpose.

THE NEEDS OF EACH COMPANY,

so far as the information necessary to pass the risk is concerned, are practically identical; they issue the same policy, use the same rate books, are guided by the same general principles, and largely conform to the same general rules, and there would seem to be no good reason why a uniform set of questions could not be adopted, thus simplifying the work of the agent and increasing the chances of getting the questions answered. The danger of failure increases in proportion as the blanks are complexing, and an overload of detail reduces the chances of gaining the end desired.

YOU CAN'T GET THE QUESTIONS ANSWERED

by the agents, say the specials! You can't get the information from the insured, say the agents! You can, if you want it, and join forces to obtain it. The insured seldom or never refuses, if asked, and the agents would not, if competition did not interfere.

If the agents of all the companies were instructed to furnish full information, it would not be long before right conditions prevail. If an agent has the information, it is little trouble to answer the questions; if he is without it, the risk should not be written.

I AM IMPRESSED WITH THE IDEA

that there is a demand for the formulation of a system under which agents may be trained alike and properly instructed to the end that uniform practices may be acquired. There should be no uncertain sounds or discords, no attempt to play the "Devil's Hornpipe," and "I want to be an Angel," at the same time, but a business-like plan to boil down the information to a practical working basis, and simplify the tools with which to do the work.

To what extent

THIS HAZARD OF CARELESSNESS

enters into the solution of the problem of profitable underwriting is not easy to determine, and it may not be unworthy the attention of the Committee on Rating and Statistics. If, as has been said, sixty per cent. of

all fires are due to carelessness, and that the moral hazard is responsible for something like thirty-three per cent. of them, it is evident that concerted action should be taken to insulate the one and isolate the other. This cannot be done by relying on Bradstreet, Dunn or Hine's record, but must come through a properly trained agency force, exercising more business-like attention to the important details.

With few exceptions, the

GREAT MASS OF AGENTS

are a splendid body of reasonable men, with a high sense of business honor, and a readiness to adopt beneficial suggestions. If the companies and special agents will unite on a plan to present this question of carelessness to the minds of the locals, eliminating all fear of losing premiums, I believe they will meet with co-operation to a surprising degree. I urge this in the full belief that it is practical, worthy and reasonable, and that the inauguration of a campaign of education on the careless hazard will bring about needed reforms that will be lasting in their results and reflect credit alike on the companies and their representatives. (Applause.)

The President—Mr. Staniford has given us a Paper that I shall have to endorse most heartily, for the reason that it follows in line with the views expressed in my address on the subject of Education. It is a topic that ought to be discussed by special agents, and, as we have a great many of them here to-day, I hope we will hear from them.

Mr. Mayer—Mr. President, as to the Alisena case, have to say that I was a little bit interested. Mr. Staniford's remarks to the effect that the agent or solicitor is to blame for not inquiring into the question of chattel mortgage, I believe, are not quite correct in this case. I had known Alisena for fifteen years, and his reputation was very good. In fact, it was as good as that of an angel, but even angels sometimes fall, and we know an archangel who has fallen—his name was Satan. I do not believe it was the mistake of the solicitor or the agent not to ask Mr. Alisena whether he had a chattel mortgage on the property or not. I believe in my heart I would not have asked him that question. I believe it was the fault of whoever passed the report in the main office when the mercantile report came in. The mercantile report showed that there was

a chattel mortgage, and it was a matter of public record, so I believe the office was to blame. I do not think any blame attaches in that case to the solicitor or to the agent.

Mr. Sexton—Occupying the position of a sort of bumper between the special agents or the agents and claimants on one side, and the manager, I must agree with Mr. Mayer, and I suggest that a copy of this Paper be served on each manager in this city. If the managers will start in with the specials, the specials will then start in with the agents, and this Paper will be of some value to our business.

Mr. Thornton—It is a mistake, Mr. President, to say that this information cannot be secured from the assured. To special agents who visit our section of the country in the North, the information is readily furnished. Special agents visiting British Columbia know that all of the agents answer the questions asked, and that reports come in in splendid shape, and they tell us that they have no difficulty whatever in securing the information. The assured does not feel at all embarrassed when the questions are asked. If he is asked whether or not there is a chattel mortgage upon the property insured, or whether he is the owner in fee simple of the realty, he gives the information cheerfully. I think it is purely a matter of education. This ought to be an era of education and not of retrogression, and it is my view that he should insist upon securing the information at all times.

Mr. Staniford—I do not wish to be too aggressive in support of my Paper, but I would like to remark that I have met with but one case where the insured refused to give the information fully and completely regarding his risk. I do not believe that the local agents would have the slightest difficulty in eliciting information, if they were only educated to do so. I do not believe an insurance company should be forced to rely altogether on Bradstreet, Dun, or any other agency, for such information, when we have daily reports containing questions which the agent and assured should answer. The commercial report applies more particularly to the commercial standing of the assured, but our daily

reports call for the same information, and there is no reason why we should not have all the questions answered. I believe that if we join forces we can have the benefit of this information. In fact, there is no doubt about it, in my opinion.

The President—We are honored to-day by the presence of a distinguished gentleman from the State of Washington, Mr. J. H. Schively, Deputy Insurance Commissioner. He has been with us before. We have always enjoyed interesting talks from him, and I am sure we all would be very much pleased to hear from him now.

Mr. Schively—Mr. President and Gentlemen: I have been maturing some thoughts in my mind since learning that I was to have the pleasure of being at this meeting. I am going to reserve those thoughts, however, in the belief that the courtesy of the presiding officer to-morrow evening will give me an opportunity to talk. I want to say some of those things to some gentlemen who are not present here this afternoon, and I am sure that all of you will be present to-morrow evening. However, I will say that I never attend these meetings but that I am personally profited. I have no technical acquaintance with the operations of fire insurance, and yet the Paper that has just been read was couched in such complete simplicity and strength as to give even myself some ideas along the line of fire insurance. I wish to congratulate the gentleman. This thought occurred to me: That fire insurance is almost a perfected science. There are a number of things yet to learn, but they depend more largely on advancing civilization and new things than aught else. I think that even when the new inventions arise in the perfection of advancing civilization, you will discover that your older methods of fire insurance science will be applied. But this one thing is always to be attached to the idea of perfection or that which is scientific: If there is any failure in life, it is more due to carelessness than anything else. There is certainly no special employed by a manager, there is certainly no manager employed by a home office, but who is first known to have sufficient ability to fill the position to which he has been elected or appointed. And the special agents, in selecting their local agents, may

sometimes be driven to the selection of a man who is not an expert, or, in order to fill a position that should be filled, to put in one who is not so well qualified for that purpose, in order to educate him, or to temporarily fill the position. Still, from the local agent to the special, from the special to the manager, and from the manager to the home office, in a science or branch of business that has so nearly reached perfection as has yours, if there is any failure (and I say this, not from any knowledge of fire insurance, but from a general knowledge of human nature), it is due to the thing that we may call carelessness. I doubt if you can have a more important thought brought before this meeting than that brought before you in the Paper that has just been read. Certainly, if there is any failure in the management of an insurance department, it is through carelessness. There may be the possibility of a disposition in a political office to be political and careless, and to do things that appear to be careless that could be explained properly on a different basis. I am not speaking of that, nor about insurance commissioners or agents. Therefore I am preaching you this little sermon about being careful. I am one of the insured, and would be perfectly willing to talk all about my financial obligations, and so on, provided I could get the agent to come down in his price. Every time I have gone to an insurance agent and he has insured me up there, he has raised the rate, and I always want to go around to his home office and make the inquiry as to why that sort of an agent is kept in the employ of the company. It is suggested by a friend at my left that in my case the risk is coupled with a moral hazard. On that basis, I think probably the agent was acting, not carelessly, but wisely. I am delighted to be with you, gentlemen. I bring you the good wishes of the Insurance Commissioner of Washington, Mr. Nichols, our Secretary of State. He wanted to be present with you, as he delights to meet with you men, especially the older men, as he is an elderly man, to talk over the reminiscences of the business, and with the younger men because he delights to see the young men forging to the front. He wanted to be with you, as I say, but, finding himself unable to do so, he sent me here to represent him, and I am trying to do so as best I can. I wish you and he wishes you all success during this coming

year, the success that is built on honest, careful, manly, strenuous (if you allow that word) effort; and if you are careful and strenuous, hard-working and devoted, you will surely meet with success, because people certainly will have their property insured. (Applause.)

The President—We will now listen to a Paper by Mr. R. C. Medcraft, on The Brain Work in our Profession.

Mr. Medcraft—The program says that the topic is "The Brain Work in our Business." That is a printer's error. It should read "The Brain Work in our Profession."

THE BRAINWORK IN OUR PROFESSION.

R. C. MEDCRAFT.

Our brain works in two ways,—receptively and constructively. Either it absorbs, without developing, the material which it receives; or else it evolves new material, which it applies on its own account.

What relation has this to our profession?

The subject is broad indeed, and has a direct and separate bearing on each of the principal classes of laborers in our particular field, viz., clerks, special agents, and managers.

Brainwork means for each a particular kind of mental activity. It also means progressiveness; without which we all lose our value. And it means more than these, for it is the foundation of an acceptable personality.

The local agent towards his present or possible client: the special agent toward the local agent: the clerk toward his immediate chief: the chief clerk toward his superiors, as well as toward his equals: the manager toward his fellows,—all need to have within them this leavening progressiveness, and to display it as an integral part of their personality. The attractive personality is, indeed, almost always naturally accompanied by mental activity: it is infectious and interesting. It presupposes an interest in several, nay many, different subjects. It means therefore versatility, and is one of the two visible handmaidens of advancement. The other is enshrined within the old epigram: "In order that people may be happy in their work, three things are needed: they must be fit for it,—they must not do too much of it,—they must have a sense of success in it."

The attractive force of this same mental activity lies in its power of throwing itself into those matters which are of principal interest to other people, and in the practice of an intelligent courtesy towards their opinions and their prejudices. *Amour propre* is universal, and it is quick to detect an interest or a courtesy which is only feigned. This does not involve the idea of "acting." It is true that the hold which player folk obtain on us is frequently in proportion to the extent to which they can make us believe for the time being, that they are in earnest,—that they are, and feel, just what the characters which they portray, represent. But that is just where the difference lies. It is the reality which is necessary.

A special agent is brought into connection with a local agent who presently pours out the story of his business difficulties both within and without the realm of insurance. He is interested in this land scheme, or in that dredging scheme, or in that water scheme. He has ideas more or less practicable and reasonable as to how the difficulties may be overcome, or how the tactics of his opponents should be met, for instance by legislation, so that his own way may become more clear, and his own plans less easily swerved, in spite of himself, from the exact line of honor. Or he may expose his personal troubles and dilate upon them in connection with his family prospects and ambitions. The victory in the struggle for this man's goodwill will to a large extent rest with him, who in the first place can control by the influence of his personality, and in the second, can attract by an honest zeal for his interests.

A certain manager always kept at hand a memorandum book containing a brief note of the particular fad or hobby of those agents as to whom, from any source, he was able to secure the desired item of information. That memorandum book became in his hands a valuable lever for transmitting his own personality and fixing it in the memory of his visitors and correspondents. Every hobby became instinctively his own for the time being, but not till after he had literally cultivated himself into the faculty of making it so.

It is always difficult for a man to inject himself into, and yield its full value to the different point of view from which another person gains his opinions, and establishes his prejudices on any given subject. The position is in a way similar to that reluctance which is instinctively aroused in us by the announcement of the discovery of a new scientific wonder. And yet, as soon as we change this attitude for one of WILLINGNESS to understand, we meet the discoverer or inventor, as represented by his discovery or invention, with deference. With a few people, this natural

willingness is a gift. In most of us, however, it has to be actually acquired through unselfishness, and chivalric self depreciation. Not the self depreciation which comes from excess of modesty, but that which, following study, always accompanies the desire for more knowledge and wider experience. The transient influence of a personality which, even though it be founded on mental activity, and vivified by a capacity for sympathy of interest, yet lacks this spirit of breadth, finds a nature parallel in the national flower of Arizona—the "Saguaro"—that great cactus which, spreading abroad its great, protecting, candelabra-like arms, quickly reaches indeed a superb height, but commences to perish before attaining its full growth.

Now, from mental activity, progressiveness, and breadth, naturally comes responsibility. In one form or another, it is the companion of every one of us: under commonplace conditions, its presence is barely noticeable. But from the moment of even a moderate change in those conditions, it demands recognition with a vigor proportionate to the occasion. The burden is two fold: for every man carries with him the responsibility for action as well as for inaction; and the appropriate choice between the adoption of the one course or the other, either being open for selection, is apt to be the signal for a series of good or bad results such as will chase each other, figuratively speaking, like Atlantic rollers, indefinitely through time and space. It is accordingly of the highest importance that the choice should be rightly made: to accomplish which end it is primarily necessary that the first principle in making the choice should be known and applied. It is the principle of CORRECT PERSPECTIVE. It is the cold blooded estimate of the present, and of the various courses of probable development leading up to the final outcome itself. It is foresight. In connection with brainwork, we have then to think of mental activity, progressiveness, breadth, and foresight.

Take the case of the insurance clerk. Very sympathetic is the picture of this young man steadily doing his allotted work, yet always looking beyond it into the world immediately around him, searching for the opportunity which others may have missed, or which he may be the first to discover. Just however, as the astronomer must use his telescope, or he can never announce the star or planet which he believes to exist in the firmament, but which he cannot see, so the young insurance clerk must use all means for self preparation, or he cannot in fairness hope to attain his goal. The latter cannot be bought with money. He cannot spring to it unequipped. There is absolutely no time for play, in the life of a properly ambitious insurance clerk between the ages of 17 and 27.

There is very little time for it afterwards. The material to be absorbed is so great that the after-office hours, supplementing those spent within the office, are hardly enough to assimilate it. It is as varied as it is great. A rapid, clear, characteristic penmanship is the starting point. But the terminating point never CAN be visible. It lies in the combined domains of chemistry, electricity, law, logic, architecture, mensuration, literature, bookkeeping, mathematics, political and social economy, and diplomacy. All these subjects can not, of course, be thoroughly mastered. But a general familiarity with all of them must be, and can be, acquired, at the cost only of regular reading and methodical study; and in the laborious process, the one great sustaining element is the passion to be always in earnest.

The non-insistence on this necessity for training and equipment, is largely responsible for the fact that the career of an insurance clerk has often been regarded almost as the clerical career used to be considered—good enough for the least intellectual member of the family: as something which trained of and for itself, sufficiently but automatically through the process of posting entries, or preparing applications, or writing policies, or soliciting a risk or two. These are all, we know, valuable capabilities; but they are merely a part of the training which comes from within the office in the direct line, only, of its routine work. They are easy and commonplace. The others are difficult and professional; but they enshrine the right to public recognition, as distinct from that which is only private.

These notions may seem to be somewhat grandiose. But how else can a young man attract attention? A dozen varieties of pigeons put together in a loft, will in a few years all change to a slatey-grey flock, with no apparent difference between individuals. A group of miscellaneous friends—twenty separate families, each with about the same moderate income—once upon a time formed themselves into a friendly community. They were all of the same social standing, general education, and respectable type. They called their little model town, Idyllia. The jarring pains of life were reduced to a minimum. "They all had smooth lawns and terra cotta statuary." Within ten years of its origin, every vestige of Idyllia had ceased to exist. The dead level effaced it. There is a parallel to this Idyllia in every insurance office staff in the country. The breaking away from his Idyllia lies for every insurance clerk through the pathway of individuality; and his individuality will be the first sought after who establishes it through knowledge not merely of the direct present requirements of his work, but also of the useful, indirect, and future.

In the midst of solid reading, there must also be maintained an acquaintance with current events and insurance thought. Every available fragment of insurance literature, which is nowadays chiefly in magazine or journal form, must be perused. A scrap book should be kept, in which every article or paragraph relating to individual risks or classes of risks may be preserved, easily available for reference; and from which every unusual version of statistics may be readily drawn upon, to supplement the treasures of memory or the suggestions of intuition, or the conclusions of actual information.

Truly, if of the making of books there is no end, there is also no limit to the possibilities of money-and-position-making study which the insurance clerk, with a single eye to his future, may undertake. But of course it is always easier to smoke cigars than to make them.

Take the case of the manager. The construction, development, and permanence of an insurance business depend on the opportunities, and—almost mainly—on the qualities of the managing office. Of the latter, there are two which correspond beautifully to what in mechanics are known as the centripetal and centrifugal forces. "The one is motion, and keeps in motion—the other governs the DIRECTION of motion. The managing office must constantly draw toward and around itself, by sympathetic and co-operative methods. It must, however, as constantly throw off from itself, the inspiration of its own energy. The former quality represents an essential harmonious relation; the latter, a mathematical. Both are dependent on the domination of a constructive, propelling force at the active centre of authority. It is not enough that business sent in, should be welcomed. There must in addition be conceived, planned, and executed many experimental voyages and explorations, some of which may contain no more certainty as to results than was in the mind of Columbus himself when he planned and set in motion his first expedition across the unknown Atlantic.

Under the keen competition which is our perpetual stimulus, no business can fail to diminish which does not actually increase. This increase must rest on the constructive exercise both of the harmonious and the mathematical relations of which the prototypes are the centrifugal and the centripetal forces in mechanics.

Now and then there is born into the language, a word or a phrase which by its aptness is instantly recognized as having an independent right to live. Such an one, for example is "The Strenuous Life." Every body knows instinctively what it means; but it is only on second thought that we realize that we admire only the strenuous life WHICH SUCCEEDS.

President Roosevelt said the other day: "When you work, work hard. When you play, play hard." What he implied was: "When you work, work hard and win. When you play, play hard and win." This strenuous life which succeeds, is not necessarily a noisy life, but it must be both persistent and active. A bar of iron made into horseshoes is worth no more than about twelve dollars; made into watchsprings, it is worth about twenty-five thousand. The iron is the same, and to some extent, the manipulation is the same. But beyond a certain point, the intelligence applied is entirely different. So with the strenuous life. It must be persistent and active, and it may be reasonably noisy, or fairly modest; but over and above and superior to all these, it must be intelligently directed; and the continuity of the intelligence and safety of the direction, is that which first attracts the reward, and then confirms the success.

An Alameda county agent, well known for his ceaseless activity, intelligent, full of foresight in his work, recently remarked in perfect good faith, that while twenty per cent. commission on the premiums which he secured (and nothing on those which in spite of time, foresight, and energy, he failed to secure) was considered a fair remuneration, his manager received the real credit for his work and for the work of every other agent, and enjoyed in addition a fixed and "very large" salary month by month. He claimed to possess as much brain power as his manager—to exhibit in some directions, an equally fruitful exercise and cultivation thereof—and to have devoted a great deal more time exclusively to the pursuit of his vocation. But he forgot that it is the USE to which the strenuous life is voluntarily put BY THOSE WHO HAVE THE POWER TO EMPLOY IT, which is the index to, and the measure of, its market value. A manager may not necessarily be more intelligent nor better informed than some of his agents, but the former has for the time being, in his direct care that which is sacred, viz: the employment of capital. A certain proportion of the funds of a company are entrusted to him for the single purpose of profitable operation in the department of underwriting. This is first and foremost an executive function, wherein his strenuousness is expected to expend itself, on terms of reward commensurate with the sacredness of his trust, viewed from a personal standpoint and from that of the delegation of duty which is part of his own responsibility. It is his express business to select his subordinates and associates in every capacity, and to see to it that in common with himself, their individual relation to the capital which stands back of all, is as nearly perfect as it can be. For although capital is a serene goddess (not faultless, however, in foresight) who bestows her ample favors at will, she nevertheless has vigi-

lant eyes all over her head, and a most remarkable memory. To one man she murmurs in kindly caution: "All maids are good:—whence then come the bad wives?" On another, she urges the inscription which some rythmical monk has written on the refectory of the old Franciscan Convent at Lyons:

BEWARE	{	of wishing all you see; of believing all you hear; of saying all you know; of doing all you can.
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In general, then:

1. Continuity in the directing aright of one's energy first attracts the attention of Capital.
2. Capital then entrusts itself to it.
3. It is the charge of Capital which makes the difference between the compensation of one man and another.

And in insurance, there is the additional feature that the capital is to be employed without security. It is to be pledged, so to speak, without guarantee of returns, and therefore to an unusual extent as a matter of all-round judgment on the part of the loaner. That same all-round judgment (the fruit of brainwork) is in a very true sense precisely the capital which the manager himself contributes; and his intangible capital, duly linked with the tangible capital of the company, form a combination not inferior in opportunities of mental exercise, and in possibilities of mutual satisfaction, to any that can readily be brought to mind.

Then take the case of the special agent. I claim that all the points I have been mentioning, concentrate themselves in the duties of this indispensable official. Activity of mind, activity of body, progressiveness, knowledge, adaptability both to men and to circumstances, correct perspective, courtesy—all these are his jewels; and when we remember how many commence their career before they are five and twenty, when every faculty is elastic, it is not to be wondered at, that they go through a set of experiences which qualify them before they are forty, for the few prizes which are at the end of the "greasy pole," even though all cannot in the nature of things, grasp them. Their brainwork, furthermore, strikes out into another direction than that of the clerk or the manager. On them devolves the carrying by word of mouth, of the message from the company to the property owner. Theirs is, even now, the spreading of the gospel of coinsurance, the index of the true liability assumed, or, if you please, of the true protection received. Theirs is the proving of the equity of the principle of a rate graded in accordance with the proportion maintained between insurance and value. Theirs is the hammer-

ing in of the fact that all insurance companies are distributing trustees only; that they take from the many, money to be used, or be held in trust or in reserve for the benefit of each separate contributor to the general fund, seeking for themselves only a fair compensation for the safe handling of the money. That the private capital which is the foundation, the framework, and the crown of the entire structure, must before all things remain intact. That to preserve it intact, and continually strengthen the security which it affords, no underwriting profits are used for dividend purposes. That there is now practically no exception to the rule, that the interest on original capital and accumulated earnings, alone provides the dividend to the stockholders of our leading fire insurance companies.

Again, theirs is the duty of impressing on the public that the latter has the foremost interest in assisting in the reduction of loss by fire, through the adoption of all preventive means in its power. That taxation of insurance premium, or of the difference between premiums and losses or of the difference between premiums, and losses and expenses, is a direct burden on the property owner himself. That "mutual" fire insurance is possibly tolerable in principle, but entirely uncertain in practice. That the time is not far off when the spectacle will be unbearably ridiculous, of 53 states and territories having 53 separate sets of laws governing insurance companies. That in spite of all enmities and disasters, no duly authorized and constituted fire insurance company ever seeks or desires to pay to its clients one dollar less than they have lost, when the time comes for invoking the policy contract, for indemnity.

Finally, there is one common ground on which all can stand—one common effort of brainwork ever open to the intelligent layman, and to insurance adjusters, newspaper men, agents, clerks, special agents, managers—to all. It is that of original Research.

Said a college friend to me: "The fact seems to be that there is no exclusive system of correct underwriting. Different methods seem to produce about equally profitable results. How can there be so much brainwork after all? Even the rates are supplied by specialists employed in common!"

Said I in reply: The rates obtainable for Major risks—i. e.: those of the greater fire hazard, either through inherent causes or by reason of exposure—are not higher, in the full due proportion, to those current for Minor risks. It follows THAT THE HIGHER THE GENERAL AVERAGE RATE OF PREMIUM attained by a company, THE MORE SPECULATIVE IS THE COMPLEXION OF ITS PORTFOLIO. Given in fact, for a sufficient period,

the general average premium rate of an entire state, its general average loss ratio, and the average premium rate therein of an individual company, it is generally practicable to guess very closely its loss ratio.

If this theory seem to reduce underwriting too nearly to a mechanical basis, please remember that sufficient individual risk inspection or knowledge is the foundation on which the ultimate judgment—that of the manager—must operate. Diagnosis first, then treatment. Inspection first, then selection. This ultimate judgment decides the general character of the business written and retained. It must also govern the proportions of the various component parts, namely, the Major and Minor risks in their manifold variety. The general character and the due proportion between the parts, form one combination which the brain must know how to control.

It being conceded that the "true" premium rate has not as yet been found (applied) in the case of a good many classes of risk, it follows that AN ACCURATE GAUGING OF THE NET LIMITS MATHEMATICALLY WARRANTED by the various combinations of hazard and rate, IS A POWERFUL FACTOR in the problem.

The "true" rate has not yet been found (applied) in the case, for instance, of unprotected dwellings of second and third class construction such as generally occur outside of the larger towns. On the other hand, the "true" rate HAS been found over a very large proportion of our territory for (let us say) ordinary stores unprotected and wholly detached, or affected by no more than a single simple exposure. The people, however, require that both these classes shall find insurance freely, and after all, the object of insurance companies is to insure. Just at this point enters the ability to discern the appropriate NET line of liability, under the different conditions presented of value and insurance, construction, exposure, finance, loss record, form of policy, and last but not least, climate. There are almost as many combinations of circumstance possible, as there are variations of sound behind the keyboard of a piano. The proper net liability to assume, is then another product of constructive brain work.

Should net lines be graded according to rate? Or based on capital? Or on assets? Or on surplus? Or on general premium income? How far should they depend on the exposure hazard? Or on protection, and of what kind? Or on class experience? Or on individual risk features better than those of the average of the class?

During the last fifty years, the pendulum has swung backwards and forwards in general answer to these everlasting questions, three times. In early days, heavy net liabilities were the rule. Then came a reaction in favor of smaller lines, as well spread as possible. Now, again, there are signs of a partial return to the older principle, and the average of net retention seems to be rising.

And out of it all—out of the constant adaptation of methods to conditions—have come the results which have misled my friend, so that he has mistaken Cause and Effect.

Brainwork? Everything depends on it! (Applause.)

The President—Is there anything to be said on the subject presented by Mr. Medcraft in his Paper? If not, we will proceed with the next Paper upon the program, The Adjustment of Book Losses With and Without Books, by Mr. F. J. Alex. Mayer.

Mr. Mayer—Before I commence the reading of this Paper, I desire to make a few remarks. To people who wanted to be married, whether young or old, poor Richard gave the advice, "Keep your eyes wide open before marriage, half closed afterwards." To the fire insurance manager, before he sends out the adjuster, I give the advice, "Keep your eyes wide open," and when the adjuster returns with the statement of loss, I give the manager the advice, "Keep your eyes half closed." Our President, no doubt, had his eyes wide open when he sent out the invitation for these Papers here and made up his program. I, for my part, shall ask his indulgence and suggest that he keep his eyes half closed upon the reading of my Paper. I thanked the President for inviting me to write this Paper. Of course, in looking into this matter, I profited myself, my company profited, and I hope some of you will profit by the Paper.

SCIENTIFIC BOOKKEEPING AND THE ADJUSTMENT OF BOOK LOSSES, WITH AND WITHOUT BOOKS.

F. J. ALEX. MAYER.

PRELIMINARY.

Although it is true that probably not more than one loss in fifty is a "book loss," nevertheless this one book loss is usually of such importance and magnitude, that the knowledge required in the adjustment of the other forty-nine losses is insignificant in comparison with this one. Nor can it be denied, that if out of the remaining forty-nine losses, twenty or over had been investigated more closely—if all the details had been unearthed and accounted for, if the books had been carefully examined, searched and scrutinized, many more of the facts necessary to be known for making an equitable adjustment would have been discovered. In a few isolated cases the adjustment would have appeared fairer to the assured, but in most cases much money would have been saved to the insurance companies.

But what is the average adjuster usually doing with the remaining forty-nine losses? In all likelihood he hires a carpenter, a regular scab, for appraising the loss to the building; a machinist, probably a mere blacksmith, for the machinery; an engineer, perhaps a bridge engineer, for the loss on an electrical plant; a merchant, likely a dealer in general merchandise, for the loss or damage to a furniture stock; and finally, a country lawyer for advice about the legal technicalities of insurance law. And, what is the most astonishing, for the one book loss in fifty, he engages a court-house accountant to extract the loss from the books. He calls them "experts" and pays them for their services a sum which they never realized before in their own calling for a few hours work. Meanwhile, the adjuster sits down and awaits results. He then does the clerical work of making up the proofs. He calls this performance "adjusting" worth \$15.00 to \$20.00 per diem and expenses.

This is a sharp and severe arraignment of the average fire insurance adjuster, but where is the adjuster of experience and conscience who dares to deny the truth of this charge? Whose conscience does not speak loudly that he also is to be blamed for faults of both commission and omission?

The adjuster must be educated to do better work; he must be compelled to do more conscientious work in the future. It is never too late

to mend; a man is never too old to learn. If there is an adjuster who does not desire to mend his ways, who is too lazy to learn, discard him, dismiss him. He is not worthy of the title of adjuster; he disgraces his profession. The man who has no executive ability, who does not wagt to work, who relies on pull or social standing, is not very long the manager of a company; he cannot hold his position indefinitely. And, why should not also the adjuster be required to have ability, to do his full duty, and be willing to work?

THE ADJUSTER.

Patience, perseverance, tactfulness, diplomacy, resourcefulness and alertness are most important qualities of an adjuster. However, the fundamental characteristic of a good adjuster is the one which every man believes himself to possess in abundance, and which in fact so very few seem to possess, and that is "good common sense," or what is called in coarse Western language "horse sense."

An adjuster with good common sense will, through experience, study and observation, soon get a fair working knowledge of values. By a little attention, building materials and cost will not be a Greek alphabet to him any longer. He can also learn the value of such articles as machinery and ways of figuring their weight. The weight of machinery is an important item, when it has to be shipped a long distance to a repair shop. The adjuster must get acquainted with the value of merchandise and household goods from the raw product in the field or mother earth, to the finished article in the hands of the consumer. He must also acquire a smattering of insurance law, sufficient to put him on his guard in making written or verbal admissions, which the courts might afterwards construe as waivers.

The life of an adjuster is by no means an easy one. He has strenuous work before him. Yet the calling of an adjuster is an enviable one. He can live to a purpose and strive to become master of more qualifications of the human mind than any other profession calls for. It is an enobling vocation, especially if a man puts his heart and soul into it.

DUTIES OF THE ADJUSTER.

The first and cardinal duty of the adjuster, when he arrives at the place of fire, has been discussed so often in pamphlets, board meetings, and letters of instructions, that there should be no further need of preaching the same sermon over again. Yet, the matter is still indis-

tinct in the minds of many so-called adjusters, and therefore the rules to be followed and obeyed are once more laid down here :

First—The adjuster must see that all property is saved that can be saved. He must see that it is protected from further damage. He must help the assured and advise him how to care for, clean up, dry out and air the saved personal property, whether merchandise or household goods. The adjuster must see that articles subject to rust, such as hardware and machinery, are wiped, cleaned, oiled or greased, and covered up if necessary. The adjuster should instruct the assured, that property saved belongs to the assured and not to the company. He should also tell him, that the companies are not liable for stolen property ; that any loss caused by neglect in protecting and caring for the property at or after a fire is not covered by the insurance contract.

Second—Whether the insurance is on buildings or contents, the adjuster should immediately attend to the repair of damaged roofs, if further damage to the insured property is to be avoided thereby. Brick walls should be propped, if this will lead to a salvage for the companies.

Third—The adjuster should oversee the separating of damaged and undamaged property, and put same in the best possible order. He should assist the assured in making the inventory of damaged and undamaged property. If he personally supervises the stock-taking and watches the values and quantities, he will save much money to the companies.

Fourth—The adjuster should instruct the assured to keep open and continue business for the sale of undamaged stock, the same as if there were no insurance, and *not to close the doors* unless everything in the store has been damaged. Goods on which a damage is claimed cannot be sold, except in the case of highly perishable goods like vegetables, fruits and eggs. The adjuster should attend to the quick disposal of such goods, and in his absence the agent should get telegraphic instructions from his company relative to the immediate sale of highly perishable goods.

Fifth—The adjuster should require the assured to keep separate accounts of all expenses incurred in caring for property saved and goods sold after the fire ; to inform him that the expense for caring for saved property will be part of the loss, if loss and expenses are within the amount of insurance ; otherwise to be paid by the assured, who thereby saves his own property.

Sixth—The adjuster shall also apprise the assured that the company is liable for its proportion of the expenses of removal, if loss and expense do not exceed the amount of insurance. Property removed to places of safety is insured for the ensuing five days in new locations in such proportion as the amount of insurance remaining in force after allowing for the loss, bears to the value in all such locations.

Conditions may arise, which are not stated in the above list. Whenever an unusual case turns up, the adjuster should ask the assured, or himself, "What would you do in this peculiar case, if there were no insurance on the property?" The answer will surely be a good common-sense reply. Then the adjuster should tell the assured to go ahead quickly, to save the property from further damage and to reduce the loss.

THE APPRAISEMENT.

An experienced adjuster will always avoid going into an appraisement by arbitration. Even the terms of the policy provide for such a procedure only in exceptional cases, when the assured and the adjuster cannot agree. If the adjuster is familiar with the value of the articles to be appraised, he will in most cases succeed in convincing the assured that the interests of both the assured and the company will be better served, if the assured and the adjuster themselves attend to this part, instead of putting it into the hands of strangers, who have no interest in the final result. If the loss is on articles of whose value the adjuster has no knowledge, he will do better to hire for this purpose, and if necessary telegraph for, a regular insurance appraiser, experienced in the line to be appraised. On the other hand, if he goes into an appraisement and has to rely on local talent and perhaps friends of the assured, he will learn when it is too late that the insurance company got the worst of the bargain.

ADVICE TO THE ADJUSTER.

The adjuster should always, if possible, get a mercantile report of the standing of the assured. He should not place too much confidence in this report, but find out from the books direct the financial affairs of the assured.

A book loss pure and simple, that is, a loss where the goods are totally destroyed, of which the amount can be ascertained in no other way but by extracting same from the books, should never be a subject for appraisement under the terms of the policy. Such a loss is a matter entirely of facts.

The adjuster will quite often find that the assured is willing to swear to the correctness of his books, and afterwards in spite of this positiveness he will find that serious omissions were made. The sworn affidavit or deposition sometimes taken by the adjuster from the assured has occasionally to be corrected and revised on account of mistaken conditions. Whenever facts to the contrary stare the adjuster in the face, assertions and sworn affidavits are of no value to him. A few years ago, for instance, the owner of a large mercantile establishment claimed and swore that his books were absolutely correct and that everything was posted up to date of fire. The adjusters took him at his word, only one of them objecting, because his common sense taught him that the assured must have a larger stock on hand than the books showed. Finally, after a day or so, it was learned that the bookkeeper never posted on the merchandise account goods received until the same were paid for. This finding made quite a difference in the account.

BOOKKEEPING AND ACCOUNTING.

A thorough knowledge of bookkeeping and accounting coupled with willingness in digging into a case and unearthing all details, is a necessity for an adjuster of book losses. To be simply a good double-entry bookkeeper does not by any means make an adjuster on book losses. Merchants keep their books in all kinds of ways; some have a set of single-entry books, more or less well kept; some have double-entry books; bound and loose-leaf ledger systems; but very few or none, keep their books as intelligently as they might; that is, scientifically. If the loose-leaf ledger system is employed, which undoubtedly has great advantages over the old method, the books with their transfer sheets need, in case of a suspicious loss or fraudulent claim, much closer investigation and checking up than with the old system of bound books.

But no matter how the books are kept, no matter which method is employed, the adjuster must be able to dig out the system. He will find, upon careful investigation, that there was, after all, "a method in madness." For this reason an adjuster must necessarily be a good accountant as well as bookkeeper.

By applying himself to the study of the various methods of books which come into his possession, by searching and investigating the same, he will in time become an accountant so thoroughly conversant with this science, that he can put all the so-called bookkeeping experts in the shade, when it comes to extracting a loss from the books.

SCIENTIFIC BOOKKEEPING.

By scientific bookkeeping is meant a system of double-entry bookkeeping, by which all accounts are properly and conveniently subdivided, so that the accounts themselves give a more correct accounting of the various business transactions. Books kept in such a way are very seldom submitted to the adjuster, but in many cases it will become his duty to analyze, search, dissect and subdivide accounts.

The various accounts which under the ordinary method are merged into one, but which would be better kept separate for the purpose of arriving at more correct conclusions, and sometimes showing more clearly the actual leaks in a business, are principally the following :

1. Capital and Surplus.
2. Profit, Loss and Suspense.
3. Bills Payable and Receivable.
4. Interest Payable and Receivable.
5. Merchandise, Store and Office Furniture and Fixtures, Discounts Receivable and Payable, Freight, Drayage and Expressage.
6. General Expense, Store Rent, Fire, Life and Accident Insurance, Salary, Printing, Stationery, Telegraph, Telephone, Taxes and Household Expense.

However, for the adjuster the division into more or fewer separate accounts of the above various headings, especially those of the Merchandise Account, is not sufficient, and further subdivisions, that is scientific bookkeeping, becomes necessary, otherwise he cannot find out the true state of affairs as to the actual profit and amount of goods on hand at the time of the fire.

The Merchandise, Freight and Discount Accounts will have to be divided into the following subdivisions :

Merchandise Account	Purchases ;
“ “	Sales ;
“ “	General ;
Freight Payable ;	Freight Receivable ;
Discounts Payable ;	Discounts Receivable.

The Merchandise Purchase Account should have in its debit all merchandise purchased and in its credit all merchandise not accepted and returned to the seller, also rebates and allowances on merchandise purchased. The balance would be the exact amount of the purchases.

The Merchandise Sale Account should have at its credit side all sales and at its debit side all merchandise sold and afterwards returned

by customers; also rebates and allowances for overcharges on sales. The balance of this account will then show the actual amount of sales.

The General Merchandise Account should show the value of the last inventory on the debit side, and to this account should be brought forward the balances of the merchandise purchase and sale accounts in their proper places. In case the inventory includes the freight, the balances of both the freight payable and receivable accounts would also be posted to this account.

The latest inventory or the figures of stock on hand at the time of fire, as shown in statement of loss, should be entered on the credit side as balance to be brought forward. The difference between the debit and credit side is the year's profit on merchandise if the shortage is on the debit side; and, if the credit side is short after the last inventory has been entered, it is loss.

The Freight Payable Account should have on its debit side all charges for freight paid on purchased merchandise. On its credit side should be posted freight paid on merchandise returned to the jobber, also freight collected or charged to the wholesaler on goods bought f. o. b. place of business, and allowances for freight overcharges by the transportation companies. The balance will be the net amount of freight paid on the purchases and gives the proper percentage of freight paid, if compared with the net balance of the merchandise purchase account.

If the inventory is taken without adding freight to the invoice price then it is proper to bring forward on the freight account as a balance and an available asset, an amount equal in proportion to the stock on hand and representing the freight, which was paid for the stock enumerated in the inventory.

The Freight Receivable Account includes all freight paid for goods sold f. o. b. the place of the customer. The balance of this account is closed up through the merchandise account, as it reduces the gross profit on the merchandise.

The Discount Payable Account should include on its debit side discounts allowed to customers for cash payments. On its credit side should be entered countercharges against such allowances. It depends on the character of the business, whether the account should be closed through the merchandise account, whereby the sales and the gross profit will be reduced, or whether it should be closed directly through the profit and loss account, in which case it will not influence the gross

profit on sales, but will become an expense to the business, like interest payable.

The Discount Receivable Account includes on its credit side discounts deducted from the invoices for cash payments. On its debit side are entered countercharges against such credits. Cash discounts and rebates must not be misunderstood, as will be further explained under the item of rebates. Discounts received for cash payments are the same as interest received on investments. The discounts receivable account cannot be closed through the merchandise account, it must be closed through the profit and loss account direct; otherwise, as will be seen under the item of cash discount, the invoice price of stock on hand at time of fire cannot be correctly ascertained.

In some cases it may become necessary for the adjuster to again divide the merchandise sale and purchase accounts, freight and discount accounts into subdivisions of the various departments of a store, such as:

Merchandise Purchase Account—Grocery Department.			
“	Sale	“	— “ “ “
“	Purchase	“	—Dry Goods Department.
“	Sale	“	— “ “ “ “
Freight Payable Account		—Grocery Department.	
“	Receivable “	—	“ “ “
Discount Payable Account		—Grocery Department.	
“	Receivable “	—	“ “ “

And so forth, so that correct results as to profits, freights and discounts under the various departments may be obtained.

THE ADJUSTMENT OF BOOK LOSSES WITH BOOKS—COURSE OF PROCEDURE :

Whenever there is a considerable loss it should never be closed up without making a full and complete statement of the assured's financial affairs. In many cases it will become necessary to go back a couple of years to make up for comparison the financial statements at the various periods. A *complete* inventory of the *entire* stock on hand should be taken, whenever a part of the loss is to be figured from the books. It will not be sufficient to inventory only a part of the stock, for instance the stock in the department which alone suffered damage. The adjuster on book losses will find before he gets through with the adjustment, that a very serious omission was made, if it was neglected to take an

inventory of the entire stock. Sometimes it will even be necessary to inventory the stock of assured stored in other warehouses, for the purpose of arriving at correct conclusions.

Store and office furniture and fixtures, horses, wagons and harness, are by mistake sometimes enumerated among the items of the merchandise account and inventory. They must be eliminated.

Paper bags, boxes, sacks, glasses and other articles, which make up the tare of merchandise, are also commonly found posted in the merchandise account. For the adjuster these items belong to the item of store furniture and fixtures, unless they are charged to the customer when goods are billed, in which case they belong to the merchandise account.

All items of expense must be left out of the merchandise account, otherwise no correct conclusions can be reached in a book loss as to gross profit and the cost of replacing stock destroyed by fire.

FINANCIAL STATEMENT.

A statement of assets, liabilities, capital and surplus should be extracted, and also a statement of income and expenditures which is usually called the profit and loss account. The balances of these two statements must balance; the one will show increase or decrease in net assets; the other the net gain or loss over the gross income. If these balances do not agree, if they do not tally, then there is a mistake somewhere; and the greater the difference, the more serious the error. This procedure is nothing else but the striking of a trial balance, scientifically arranged under its proper headings, as will be seen hereafter.

Queer discoveries are sometimes made by investigating the books thoroughly, some of them bearing directly upon the adjustment of the loss, others pointing to the financial standing of the assured. The fact that the firm was financially solid or that it was involved, has much to do with the conclusions of the adjuster as to the honesty of the loss, and therefore the financial statement at the time of fire should be as important an item to be submitted to the companies as the statement of the loss itself.

PURPOSE OF THIS PAPER.

Valuable papers have been written by experienced adjusters on the proper course to be followed in the adjustment of book losses. The best and most valuable of these Papers known to the writer of this essay,

are the excellent treatises by W. H. Lowden and Wm. Sexton, both of San Francisco. Much credit is due to these gentlemen for their zeal and work in elevating the branch of book adjusting to a scientific and business-like basis. The purpose of this Paper is to supplement the pamphlets of Lowden and Sexton. The writer acknowledges that without their help, without their pioneer work, this Paper could not have been produced, because their book is the foundation stone of this treatise.

The bone of contention of nearly all Papers heretofore written on this subject of book losses has been the question, whether or not the statement of loss should be made on the basis of "freight in" or on "freight out." And also whether profit should be figured from original invoice price, and freight should be treated as an expense of business, like store rent and clerk hire, or whether profits should be extracted from the cost of the goods laid down at the store or warehouse, that is with freight included, and freight considered as part of the cost of the goods.

There has also been a further dissension as to whether cash discount should be deducted from the inventory and purchases in the merchandise account or whether a percentage for time purchases only, should be deducted from the value of goods injured by fire, and whether a further cash discount should be deducted by the company from the amount of the insurance to be paid in proportion to the time in which the loss was settled previous to its 60 day limit after satisfactory proofs were rendered and accepted.

Another favorite discussion has been, whether depreciation should be deducted from the invoice price only of the damaged stock, or whether from the cost price with freight included.

These and other subjects will be discussed in this Paper.

The controversy about "freight in" and "freight out" will be reviewed first. It will be shown that in theory it makes no difference whatever, which course is followed, though in practice it will lead to different conclusions.

THE THEORY OF "FREIGHT IN" AND "FREIGHT OUT."

Even in the theoretical problem there has been at one time quite a dispute as to which is the correct method. As high an authority as Griswold says in his *Fire Underwriters' Textbook*, on pages 639 and 640 of the 1889 Montreal edition, as follows:

"Section 1740. There are *two* distinct methods in use by adjusters for estimating *freight* and *charges* upon merchandise in the settlement

of losses, producing a marked difference in the final results. Adjusters are not entirely harmonious as to which is the more correct and equitable."

"Section 1741. The *first* method is to recognize *freight* and *charges* as entering into the cost of the merchandise throughout the calculation of values, at some estimated rate per cent., varying according to the class of goods and as the mode of transportation may be more or less expensive."

EXAMPLE I.

Statement of loss as follows:

Merchandise per inventory cost	\$45,000.00
" purchased to date	25,000.00
Freight and charges, four per cent., \$70,000.00	2,800.00
Total merchandise	<u>\$72,800.00</u>
Deductions:	
Sales to date of fire	\$27,000.00
Less profit, 12½%	3,000.00
	<u>\$24,000.00</u>
Merchandise saved, worth	40,000.00
	<u>\$64,000.00</u>
Total loss	\$ 8,800.00

"Section 1742. The *second* method is to discard all estimate of *freight* and *charges* until the "amount destroyed" has been ascertained, when the proper allowance is made upon this amount."

EXAMPLE NO. 2.

Statement of loss as follows:

Merchandise as per inventory, at cost	\$45,000.00
" purchased to date	25,000.00
Total merchandise	<u>\$70,000.00</u>
Deductions:	
Sales to date of fire	\$27,000.00
Less profit 12½%	3,000.00
	<u>\$24,000.00</u>
Cost of goods sold	40,000.00
Merchandise saved worth	<u>\$64,000.00</u>
Amount destroyed	\$ 6,000.00
Add freight and charges, 4%	240.00
Total loss	<u>\$ 6,240.00</u>

"Thus making a difference in this case of \$2,560.00 against the assured."

This certainly must be wrong. There can be only *one* solution, no matter whether the calculation is based on "freight in" or "freight out." There can be *no* difference in the final conclusions, provided the calculation is made on the correct basis and proportion of profit, and it does not matter whether profit is calculated on invoice price or on cost with freight included.

In a statement of loss there are always *four* ways or possibilities as to profit and freight charges, viz:

1. Profit based on invoice price without freight; statement with "freight in."
2. Profit based on invoice price without freight; statement with "freight out."
3. Profit based on cost, freight included; statement with "freight in."
4. Profit based on cost, freight included; statement with "freight out."

The result in all four cases must be the same, in the theoretical problem at least, provided the proposition of calculation is clearly stated and distinctly understood.

Griswold's two examples are based on two different assumptions of profit, which certainly must lead to different solutions.

Example No. 1 is calculated on $12\frac{1}{2}$ percent profit on cost, with freight at 4 per cent. included, and the statement is made with "freight in." The item of merchandise saved is assumed to include freight in its cost price. This assumption corresponds with Problem C given later on.

Example No. 2 is calculated on $12\frac{1}{2}$ per cent. profit on invoice price without freight; which is 4%, and the statement is made with "freight out." The item of merchandise saved presumably represents invoice price without freight. This assumption corresponds with Problem No. 2 given later on.

It surely needs no expert accountant to see at once that two propositions varying in their essential parts relative to profits and freight charges as much as these two examples, cannot have the same solutions.

For the purpose of proving the mistakes in Griswold's two examples and to show the correctness of the assertion that the four ways or possibilities relative to profit and freight charges must have the same solutions, whenever the proposition is stated correctly, both assumptions of

Griswold have been worked out here in each of the four possible computations. Each set of calculations must lead to the same conclusion. In Problems No. 1 to 4 the solution is the same as in Griswold's Example No. 2 and in Problems A to D the solution corresponds with Griswold's Example No. 1.

The learner who studies these problems will have no difficulty thereafter in making satisfactory and correct calculations of the statement of loss. The explanation as to the basis of calculation relative to profit on invoice price or cost including freight, and the inclusion or exclusion of freight charges have been stated so plainly in regard to each item effected by the process of computation that there can be no further doubt to the absolute correctness. Even a novice, after studying these problems, should be able to convince the assured of the correct result of any of the problems, no matter how difficult the assured is to please, or how stubborn he may be as to his views in arriving at right conclusions.

PROBLEM NO. 1.

Profit at $12\frac{1}{2}$ per cent. based on invoice price without freight.

Statement with "Freight In."

Assuming that freight is *not* included in item of merchandise saved. (This is "Sexton's Solution of harmonizing Griswold's Example No. 2.")

Merchandise, inventory at cost including freight	\$46,800.00
Purchases, invoice price	\$25,000.00
Freight paid thereon	1,000.00
Cost of merchandise, freight included	<u>\$26,000.00</u>
Cost of merchandise to be accounted for, freight included	\$72,800.00
Deductions:	
Sales to date of fire	\$27,000.00
Less profit at $12\frac{1}{2}\%$ above invoice price without freight	<u>3,000.00</u>
Invoice price of merchandise sold	\$24,000.00
Add freight at 4% on invoice price	<u>960.00</u>
Cost of merchandise sold, freight included	\$24,960.00
Merchandise on hand at time of fire at cost, freight included	<u>47,840.00</u>

Merchandise saved at invoice price . . .	\$40,000.00
Add freight at 4%	1,600.00
	<hr/>
Merchandise saved at cost, including freight	\$ 41,600.00
	<hr/>
Cost including freight of merchandise totally destroyed	\$ 6,240.00

PROBLEM NO. 2.

Profit at $12\frac{1}{2}$ per cent., based on invoice price without freight.

Statement with "Freight Out."

Assuming that freight is *not* included in item of merchandise saved.

Merchandise, inventory at invoice price	\$45,000.00
Purchases, invoice price	25,000.00
	<hr/>
Invoice price of merchandise to be accounted for .	\$70,000.00
Deductions:	
Sales to date of fire	\$27,000.00
Less profit at $12\frac{1}{2}\%$ above invoice price .	3,000.00
	<hr/>
Invoice price of merchandise sold	\$24,000.00
Merchandise on hand at time of fire, at invoice price	\$46,000.00
Merchandise saved at invoice price	40,000.00
	<hr/>
Merchandise totally destroyed, at invoice price	\$ 6,000.00
Add freight at 4%	240.00
	<hr/>
Cost, including freight, of merchandise totally destroyed	\$6,240.00

PROBLEM NO. 3.

Profit at 8.173 per cent., based on cost, including 4 per cent. freight, being same as 104 cost, including 4 per cent. freight and $112\frac{1}{2}$ selling price.

Statement with "Freight In."

Assuming that freight is not included in item of merchandise saved.

Merchandise, inventory at cost, including freight . .	\$46,800.00
Purchases, invoice price	\$25,000.00
Freight paid thereon	1,000.00
	<hr/>

Cost of merchandise purchased, freight included	\$26,000.00
Cost of merchandise to be accounted for, freight included	\$72,800.00
Deductions :	
Sales to date of fire	\$27,000.00
Less profit at 8.173% above invoice cost, with freight included	2,040.00
Cost of merchandise sold, freight included	\$24,960.00
Merchandise on hand at time of fire at cost, freight included	\$47,840.00
Merchandise saved at invoice price . . .	\$40,000.00
Add freight at 4%	1,000.00
Merchandise saved at cost, including freight	\$41,600.00
Cost, including freight, of merchandise totally destroyed	\$ 6,240.00

PROBLEM NO. 4.

Profit at 8.173 per cent. based on cost, including 4 per cent. freight, being same as 104 cost, including 4 per cent. freight and 112½ selling price.

Statement with "Freight Out."

Assuming that freight is *not* included in item of merchandise saved.

Merchandise, inventory at invoice price	\$45,000.00
Purchases, invoice price	25,000.00
Invoice price of merchandise to be accounted for	\$70,000.00
Deductions :	
Sales to date of fire	\$27,000.00
Less profit at 8.173 per cent. above cost, with freight included	\$ 2,040.00
Cost of merchandise sold, freight included	\$24,960.00
Less freight at 4% on invoice price	960.00
Invoice price of merchandise sold	\$24,000.00
Merchandise on hand at time of fire at invoice price	\$46,000.00
Merchandise saved at invoice price	40,000.00
Merchandise totally destroyed at invoice price	\$ 6,000.00
Add freight at 4 per cent.	240.00
Cost, including freight, of merchandise totally destroyed . . .	\$ 6,240.00

The result is the same in each of the above four problems, viz.: Merchandise totally destroyed at cost, freight included, \$6,240.00. The foregoing problems have, strictly speaking, all been calculated on the basis of 12½ per cent. profit above invoice price; freight at 4 per cent., and it has been assumed that freight was *not* included in the item of merchandise saved.

Now, on the assumption that profit is 12½ per cent. on cost, including freight, instead of on invoice price, as in the above problems, that the freight is also 4 per cent., but that in the item of merchandise saved freight is included, it will be seen that in each of the following four problems the result will be:

Merchandise totally destroyed at cost, freight included, \$8,800.00.

PROBLEM "A."

Profit at 17 per cent. based on invoice price without freight, being same as 104 cost including 4 per cent. freight with 12½ per cent. profit.

Statement with "Freight In."

Assuming that freight is included in item of merchandise saved.

Merchandise, inventory at cost including freight	\$46,800.00
Purchases, invoice price	\$25,000.00
Freight paid thereon	1,000.00

Cost of merchandise purchased, freight included	\$26,000.00
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Cost of merchandise to be accounted for, freight included . .	\$72,800.00
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Deductions:

Sales to date of fire	\$27,000.00
Less profit at 17 per cent. above invoice price without freight	\$3,923.08

Invoice price of merchandise sold	\$23,076.92
Add freight at 4 per cent. on invoice price	923.08

Cost of merchandise sold, freight included	\$24,000.00
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Merchandise on hand at time of fire at cost, freight included .	\$48,800.00
Merchandise saved at cost, freight included	40,000.00

Cost, including freight, of merchandise totally destroyed . . .	\$ 8,800.00
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PROBLEM "B." *

Profit at 17 per cent. based on invoice price without freight, being same as 104 cost including 4 per cent. freight with 12½ per cent. profit.

Statement with "Freight Out."

Assuming that freight is included in item of merchandise saved.

Merchandise, inventory at invoice price	\$45,000.00
Purchases, invoice price	25,000.00
	<hr/>
Invoice price of merchandise to be accounted for	\$70,000.00
Deductions :	
Sales, to date of fire	\$27,000.00
Less profit at 17 per cent. above invoice price without freight	3,923.08
	<hr/>
Invoice price of merchandise sold	\$23,076.92
	<hr/>
Merchandise on hand at time of fire at invoice price	\$46,923.08
Merchandise saved at cost, freight included	\$40,000.00
Less 4 per cent. freight on invoice price	1,538.46
	<hr/>
Invoice price of merchandise saved	\$38,461.54
	<hr/>
Merchandise totally destroyed at invoice price	\$8,461.54
Add freight at 4 per cent.	338.46
	<hr/>
Cost, including freight, of merchandise totally destroyed . . .	\$ 8,800.00

PROBLEM "C."

Profit at 12½ per cent. based on cost, freight included.

Statement with "Freight In."

Assuming that freight is included in items of merchandise saved.

Merchandise, inventory at cost including freight	\$46,800.00
Purchases, invoice price	\$25,000.00
Freight paid thereon	1,000.00
	<hr/>
Cost of merchandise purchased, freight included	\$26,000.00
	<hr/>
Cost of merchandise to be accounted for, freight included . .	\$72,800.00
Deductions :	
Sales to date of fire	\$27,000.00
Less profit at 12½ per cent. above cost, with freight included	3,000.00
	<hr/>
Cost of merchandise sold, freight included	\$24,000.00
	<hr/>
Merchandise on hand at time of fire at cost, freight included .	\$48,800.00
Merchandise saved at cost, freight included	40,000.00
	<hr/>
Lost, including freight, of merchandise totally destroyed . . .	\$ 8,800.00

PROBLEM "D."

Profit at $12\frac{1}{2}$ per cent. based on cost, freight included.

Statement with "Freight Out."

Assuming that freight *is* included in item of merchandise saved.

(This is "Lowden's solution of harmonizing Griswold's Example No. 1.")

Merchandise, inventory at invoice price	\$45,000.00
Purchases, invoice price	25,000.00
	<hr/>
Invoice price of merchandise to be accounted for	\$70,000.00
Deductions:	
Sales to date of fire	\$27,000.00
Less profit at $12\frac{1}{2}$ per cent. above cost	
with freight included	3,000.00
	<hr/>
Cost of merchandise sold, freight included	\$24,000.00
Less freight at 4% on invoice price	923.08
	<hr/>
Invoice price of merchandise sold	\$23,076.92
Merchandise on hand at time of fire at invoice price	\$46,923.08
Merchandise saved at cost, freight included	\$40,000.00
Less 4 per cent. on invoice price	1,538.46
	<hr/>
Invoice price of merchandise sold	\$38,461.54
Merchandise totally destroyed at invoice price	\$ 8,461.54
Add freight at 4 per cent.	338.46
	<hr/>
Cost, including freight, of merchandise totally destroyed	\$ 8,800.00

Thus, will be seen from the foregoing problems that in theory it makes no difference whether "freight in" or "freight out" is calculated, provided profit is figured on its proper basis and freights are accounted for by including, adding or subtracting same, whichever the proposition of calculation or method employed requires.

THE PRACTICE OF "FREIGHT IN" AND "FREIGHT OUT."

It has been argued by some adjusters that freight is an item of expense, like store rent, clerk hire, insurance and so forth. It may be convenient to take this position, provided goods are marked and inventoried at original invoice price without adding freight charges. This

will usually be the case when freight charges are low and do not exceed say five per cent. of invoice price of goods. But when goods are marked and inventoried at actual cost price laid down, that is with freight charges added, and when profit on stock is calculated on such cost, then it will be more businesslike to make the statement of loss with freight included or added on all of the respective items. In other words, freight should be considered as a part of the cost, and not an expense.

What difference does it make to the merchant in Portland, Oregon, for instance, whether he buys his goods f. o. b. New York and pays the freight thereon to Portland, or whether the New York jobber bills the goods to him delivered at Portland, and includes the extra freight charges in the invoice price? Freight, like duties on imports, is a part of the cost of merchandise and, strictly speaking, it is not an expense.

However, the principal reason why freight should not be deducted from the inventory, when same contains this charge, is because the average percentage of freight paid during a certain period on the value of purchases, does not by any means represent the average percentage of freight on the invoice price of the goods inventoried. Take, for example, the following extract of a price book :

EXTRACT OF THE PRICE BOOK OF A FURNITURE STORE.

Description.	Number.	Quantity.	Weight.	Freight per 100 lbs.	Total Freight on Article.	INVOICE PRICE.		Net.	Cost Includ- ing Freight.	Sale Price.	RETAIL	
						List.	Rebate.				Instal- ment.	Cash Rebate.
C												
Couch	3186	Each	116	2.50	2.90	10.00	10%	9.00	11.90	17.60	22.00	10%
"	2788	"	117	2.50	2.90	16.50	10%	14.85	17.75	28.00	35.00	10%
D												
Desk, Roll Top	231	"	185	1.81	3.35	15.00	20%	12.00	15.35	20.00	25.00	10%
Desk, Roll Top	605	"	366	1.68	6.15	43.10	net	43.10	49.25	74.40	93.00	10%
R												
Rocker	19	doz.	290	1.43	4.15	22.00	net	22.00	26.15	38.40	48.00	10%
Rocker	314	Each	64	1.41	.90	18.50	net	18.50	19.40	30.00	4.00	10%
T												
Table, Extension	315	"	205	1.78	3.65	11.80	net	11.80	15.45	20.00	25.00	10%
Table, Extension		"	205	.83	1.70	23.00	net	23.00	24.70	38.80	48.50	10%

Upon a glance at the foregoing table from the price-book it will be conceded that an average percentage of freight as to the value of each article represented in the list, is erroneous, and must also be wrong as to an average percentage of freight based on the value of goods included in an inventory at a certain period, for the simple reason that a smaller

or larger percentage of freight must be on hand than was received during the time the purchases were made.

Having shown that it is more correct to leave the freight in the inventory, when this charge is correctly included in the cost, no further explanation is necessary to a man of business education.

However, as stated before, conditions are found when freight is not added to the cost marks, and it is consequently not included in the inventory. In such a case there remains no other procedure but to calculate the freight on a basis of percentage as to the value of goods.

However, on articles such as shoes, hats or umbrellas, it would be fairer to figure the percentage of freight on each, instead of percentage as to the value. This should be done because a pair of shoes or an umbrella invoiced at \$1.00 each will cost as much freight as each of these articles at an invoice price of say \$8.00. During the year probably 70 per cent. of the cheaper goods were received in comparison with the more costly articles, but the percentage of stock on hand of the cheaper goods at any time is probably only forty-five per cent., while of the more expensive goods 55 per cent. are carried in stock the year round or vice versa.

To find the approximate invoice price of goods destroyed by fire, which has been calculated at cost with freight, for the purpose of deducting cash discount from invoice price, it will be fair in most cases to deduct an average percentage of freight charges from value, and in a few instances it will be fairer to deduct a freight percentage based on quantities.

PROFIT.

This is the most important of all items to be investigated by the adjuster.

When none of the goods are destroyed, when the whole stock can be identified, or when the quantities and articles destroyed are positively known, then the process of finding the exact profit is simple. After the items of purchases and sales with their returns, rebates and allowances are entered on the merchandise account, nothing remains to be done but to make an inventory of goods on hand at time of fire, and the difference is profit, if short on debit side; and loss, if short on credit side. This process establishes the profit up to the time of the fire absolutely and without controversy.

However, when all or part of the goods are totally destroyed, when the stock on hand at the time of fire cannot be identified, or when the quantities and articles destroyed are unknown, then the calculation be-

comes more difficult, because the adjuster is confronted with two unknown factors, both profit and stock burned. Now, no calculation can be made correctly when two factors are unknown. Therefore, as the stock destroyed by fire will remain the puzzle to be solved, nothing remains for the adjuster but to ascertain first the profit, after which the conclusion as to stock lost can be solved. It is plain that if profit is not correctly ascertained, the calculation as to stock destroyed must be wrong.

The most business-like, safest and easiest way to ascertain the profit will be in most cases to agree on profit upon transactions of former periods as indicated by previous records.

To ascertain correctly profit on sales, great care must be exercised by the adjuster. The accounts influencing profit, especially the merchandise account, must be thoroughly scrutinized as stated under the heading of "Scientific Bookkeeping," so that the values of the inventories, the amount of net purchases and net sales will be known exactly, otherwise the inventories might contain articles not belonging to stock, purchases might include goods sold and afterwards returned by the customer, and to sales might be added goods returned to seller or allowances made by him. In calculating profit, cash discounts will have to be eliminated entirely from the merchandise account, because otherwise the conclusions as to value of stock at time of fire would be not only misleading but erroneous under ordinary conditions, as will be further explained under the heading of cash discounts.

After the merchandise account has been scrutinized in the manner prescribed, the resulting gain will be the profit on cost of goods sold during the period under consideration. The percentage of profit must not be based on the selling price, but on the cost, including freight, if goods are inventoried with "freight in," or on original invoice price if "freight out." To illustrate, if the gain shown to be \$3,000 and the selling price appears to be \$15,000, the percentage of profit is 25 per cent. on cost; it would be misleading to base the percentage on selling price and call it in this case 20 per cent. The adjuster must also remember that 100 invoice price, 50 per cent. freight and 175 selling price makes 75 per cent. profit above invoice price, but that the profit above cost including freight is $16\frac{2}{3}$ per cent. only; it is not 25 per cent., as a careless glance at the figures might indicate.

Sometimes there are no previous records to go by. It also happens that the previous accounts are no true indication of the present gross profit on account of changes in business, for instance, from an install-

ment plan to a cash basis, in which case the profit would be considerably reduced, or vice versa.

The price-book is no indication of the average profit, even less than it is of the average freight percentage. Because a thousand articles may be bought and sold with a small profit before one single piece is sold with a big profit.

To find out the actual profit without previous records, nothing remains but to go through the sale bills, put down the quantity and sale price less rebate, and opposite its cost value from the price-book, or from the invoices. This is a very laborious task, but the only one that will lead to correct conclusions. If the business is of great extent, the adjuster may agree with the assured upon a certain month for a standard for calculation.

The adjuster must always bear in mind that the greater the percentage of profit allowed on sales, the smaller will be their apparent cost or invoice price, and consequently, after deducting same from merchandise to be accounted for, the amount of goods destroyed by fire will show to be larger.

Goods used for family purposes and feed for horses must be accounted for, otherwise the value thereof would be by the same process of calculation, included in the amount of loss.

CASH DISCOUNT.

In the adjustment of book losses no item has heretofore been more misunderstood than cash discount. The object in view must always be to arrive at correct conclusions as to the value of merchandise destroyed or injured by fire; that is, in the case of figuring "freight in," the calculation is to be on the basis of cost, including freight; and in "freight out" on the basis of invoice price. Now, it cannot be denied that if cash discounts are credited on the merchandise account or deducted from purchases, they will increase the profit proportionately, but it must be admitted that in the regular course of business such increase of profit does, as a rule, not represent the actual profit on the amount of merchandise sold. It is also true, that under normal conditions, where the stock at the time of closing the merchandise account is a known factor, the increase or decrease in profit does not alter the value of stock remaining. On the other hand, in the statement of loss, where the loss is to be extracted from the books, the stock destroyed or injured by the fire is an unknown factor, and any variation in percentage of profit must change the figures as to stock injured, and, what is most astonishing to

the novice, such figures in the common course of transactions would neither represent the gross cost or gross invoice price, nor the net cash value of the goods burned or damaged.

An illustration will at once convince the student that this assertion is correct. In the following example the quantities will be added purposely to the merchandise account, although it is not customary, and a large percentage of cash discount will be chosen, so that the conclusions will be more striking.

MERCHANDISE ACCOUNT.

<i>Debit.</i>		<i>Credit.</i>	
1904		1904	
Purchases:		Cash discount:	
500 bbls. flour @ \$4.00	\$2,000.00	5% on \$1,000	\$ 50.00
Freight thereon @ \$2.00	1,000.00	(Only one-half of purchases	
Profit	300.00	having been discounted.)	
		Sales:	
		250 bbls. flour @ \$7.00	\$1,750.00
		Inventory, cost incl. freight:	
		250 bbls. flour @ \$6.00	\$1,500.00
500 bbls. Totals	\$3,300.00	500 bbls. Totals	\$3,300.00
1905		1905	
Inventory, cost incl. freight:		Cash discount:	
250 bbls. flour @ \$6.00	\$1,500.00	5% on \$800	\$40.00
Purchases:		(One-third of purchases	
300 bbls. flour @ \$4.00	\$1,200.00	having been bought on time.)	
Freight thereon @ \$2.00	600.00	Sales:	
Profit according to previous		200 bbls. flour @ \$7.00	\$1,400.00
record 20% on cost including		Total	\$1,440.00
freight	233.33	Leaving loss:	
550 bbls. Totals	\$3,533.33	350 bbls. flour	\$2,093.33
		550 bbls. Totals	\$3,533.33

By giving the quantities, invoice prices and freight charges under each item in the above illustration, it is obvious that the profit shown in the first part of the example is not the actual profit on merchandise sold. However, in a common merchandise account, quantities and detailed cost is not stated, and the fallacy of unduly increasing the profit on merchandise sold is not so apparent because comparisons cannot be made as easily. However, after the illustration has been made, it is plain that cash discounts must be eliminated entirely, otherwise the conclusions as to profit on merchandise sold according to previous transactions, and also as to value of stock injured by fire, will be erroneous in ordinary cases.

Therefore, in the adjustment of a book loss, cash discounts receivable must be treated as a separate source of profit. Interest receivable

is an income apart from gross profit on merchandise sold and cash discounts receivable should be treated likewise. There is also a further argument: Many merchants discount their invoices and borrow money for that purpose from the bank. They do this not so much for the object of making an additional profit by the transaction, but on account of reputation and credit. It is clear that in such a case the discount is but a countercharge of interest payable, and, in other words, becomes simply interest receivable.

Under the terms of the policy the company shall not be liable beyond the *actual cash* value of the property at the time any loss or damage occurs, and the loss or damage shall be ascertained or estimated according to such *actual cash* value. By following the advice of eliminating cash discounts from the merchandise account, the result of the statement of loss will always be the gross invoice price, or if freight is included in the merchandise account, it will represent the gross cost with freight, and such valuation will always be subject to cash discount on *the whole of the invoice price of the stock injured by fire*, no matter whether all or part or none of the goods were bought on time or discounted for cash payments.

The *actual cash amount* of loss, or damage, having been thus determined, the *actual cash sum* for which the company is liable, pursuant to the policy, shall be payable sixty (60) days after satisfactory proof of loss has been received by the company. Insurance companies doing business on the Pacific Coast rarely take advantage of the further discount under this clause. However, in Eastern States the insurance companies deduct an additional discount from the amount of loss for payments made prior to the time that the loss comes due according to the terms of the policy.

REBATES.

Rebate and discount are, in the minds of some people, interchangeable terms. This should not be. A difference in the meaning should be observed. Discount is an allowance for cash payment. Rebate is a deduction from the list or catalogue price. The list price is sometimes the retail price to the consumer. The dealer gets a fixed rebate from such list price. The wholesaler's rebate is larger and the jobber's still greater. Rebates should always be deducted from the invoice price before marking the goods.

DEPRECIATION AND APPRECIATION.

It has been argued by adjusters that freight on goods will neither depreciate or appreciate. This view seems to be feasible by looking at

the abstract sense of the meaning of "freight;" to this may also be added duties on imports. Yet an illustration will demonstrate the fallacy of the argument.

Take, for instance, a Turkish rug. Its original invoice price in Smyrna is, say, \$20. By the time it arrives in Portland, Oregon, it costs, with freight and duties added, \$60. A fire occurs, or, after many years, it becomes shop-worn or damaged by some accident. It depreciates fifty per cent. Is it not reasonable to make the value now at Portland \$30? And has not, according to the first argument, the item of freight and duties depreciated as much as the invoice price? Or will it be maintained that in this case the rug depreciated 100 per cent. and the freight and duties only \$10 or 25 per cent?

The example given shows the false appearance. It is the cost at the place of business on which depreciation and appreciation must be figured, not on the invoice price.

Depreciation is a much disputed term. But there can be no doubt that all property depreciates by the wear of time and otherwise. Some goods depreciate more than others. The canned goods of a grocery store are not subject to as much depreciation as dry goods. Millinery goods and other articles depreciate very rapidly by the change of fashions, and also become shop and shelf-worn sooner than others.

Appreciation is an item not well understood by adjusters. There is in times of fluctuation just as much justice in the allowance of appreciation. The main point for the adjuster is to arrive at the figures what it will cost to replace the goods at the time of the fire.

AVERAGE PRICES.

This is a very weighty subject in stocks where only one article is handled, like boots and shoes, hats or umbrellas. If the inventories of previous years show the quantities on hand besides the value thereof, the adjuster should compare the average price of the various periods. A seemingly small increase in the average price is a serious matter for the adjuster to look after. There is always an indication when the average price is increased that the last inventory is loaded. A surcharging of the inventory can be best detected in such a case by systematically arranging, tabulating and grouping the values of the articles received since the last inventory or the period from which the calculation is to be made.

AN ADJUSTMENT OF A BOOK LOSS WITH BOOKS.

Statement of Loss.

October 19, 1903, merchandise on hand, freight included . . .	\$24,103.63	
Purchases at invoice price to date of fire	\$53,870.17	
Add freight and drayage	2,572.66	
	<hr/>	
Cost of merchandise purchased, with freight	56,442.83	
	<hr/>	
Cost, including freight, of merchandise to be accounted for . .	\$80,546.46	
Deductions :		
Sales to date of fire	\$58,542.70	
20% profit over cost, freight included	9,757.12	
	<hr/>	
Original cost of merchandise sold, freight included	\$48,785.58	
	<hr/>	
Merchandise on hand at the time of fire at cost, freight inc. .	\$31,760.88	
Merchandise in warehouse, invoice price	\$ 3,014.94	
Add freight, 4.77 per cent.	143.81	
	<hr/>	
Cost, including freight, of merchandise in warehouse	\$ 3,158.75	
	<hr/>	
Cost, including freight, of merchandise in store at the time of fire	\$28,602.13	
Insurance allowed under three-fourths value clause	\$21,451.60	
Total insurance carried on store	17,000.00	
Merchandise saved from store, invoice price	\$ 1,445.05	
Add freight at 4.77 per cent.	68.92	
	<hr/>	
Cost, including freight, of merchandise saved from store . . .	\$ 1,513.97	
	<hr/>	
Cost, including freight, of merchandise totally de- stroyed	\$27,088.16	\$27,088.16
Less freight at average of 4.77% on invoice price	1,233.28	
	<hr/>	
Approximate invoice price of merchandise totally destroyed	\$25,854.88	
	<hr/>	
Cash discount on invoice price at 2 per cent.	\$ 517.10	
Depreciation at 2 per cent. on cost of \$27,088.16	541.76	
	<hr/>	
Deduction for cash discount and depreciation	\$ 1,058.86	
	<hr/>	

Net cash value, including freight, of merchandise totally destroyed	\$26,029.30
Add allowance for damage to goods saved from store	139.44
Total loss on merchandise contained in store with freight inc.	\$26,168.74
Total insurance on merchandise in store	17,000.00
Loss to assured on merchandise in excess of insurance . . .	\$ 9,168.74

FINANCIAL STATEMENT.

Of the firm of Brown & Co. at Smithville, Oregon (Charles E. Brown and J. E. Taylor), on December 28th, 1904, the date of fire.

Assets.

Cash on hand	\$ 128.66
Credit with Miller & Co., bankers	330.23
Credit with First National Bank	66.22
Bills receivable	6,955.73
Outstanding accounts with customers	\$14,222.10
Credits thereon	3,075.50
Outstanding accounts, net	\$11,540.62
Personal accounts:	
Charles E. Brown	\$ 5,949.33
J. E. Taylor	418.96
Total amount drawn by members of the firm	\$ 6,368.29
Real estate:	
Store building and lots	\$ 2,543.15
Warehouse and lot	1,078.60
Total real estate	\$ 3,621.75
Store and office furniture and fixtures	1,705.00
Stock on hand at time of fire in store and warehouse	31,760.88
Total assets	\$62,087.38

Liabilities.

Bills Payable	\$ 6,644.94
Creditors	\$20,953.32
Deduct debit thereon	20.85
Creditors, net	20,932.47
Personal account:	
Jennie Brown, wife of C. E. Brown	309.35
Total liabilities	\$27,886.76

Capital.

October 19, 1903, when partnership was formed :

Merchandise as per inventory, freight included . . .	\$24,103.63
Store furniture and fixtures	1,070.00
Store building and lots	2,500.00
Warehouse and lot	1,000.00
Total capital invested by the firm	<u>\$28,673.63</u>
Total liabilities and capital	\$56,560.39
Surplus	<u>5,526.99</u>
Total	<u>\$62,087.38</u>

ACCOUNT OF PROFIT AND LOSS.

Of the firm of Brown & Co. at Smithville, Oregon, from October 19, 1903, to December 28, 1904, the date of fire.

Income.

Gross profit on sales of \$58,542.70 at 20 per cent. above cost, freight included	\$ 9,757.12
Discounts	63.48
Suspense being surplus in cash	<u>37.08</u>
Total income	<u>\$ 9,857.68</u>

Expenditures.

Insurance	\$ 692.20
Interest	191.26
General expense	999.68
Salaries	2,447.55
Freight, expressage and drayage, transferred to Mdse. Acct.	
Total expenditures	<u>\$ 4,330.69</u>
Net gain	<u>5,526.99</u>
Total	<u>\$ 9,857.68</u>

THE ADJUSTMENT OF BOOK LOSSES WITHOUT BOOKS.

For the adjustment of book losses without books the same process is recommended as for the adjustment of book losses, where a well-kept set of books is on hand, the only difference being that in the one case the adjustment is based principally on facts as recorded in the books, in the other mainly on verbal statements, informations and estimates.

An honest claimant will always be able, whether books are saved or not, to state almost correctly his assets and liabilities immediately before the fire. For the statement of the assets and liabilities most of the items can be ascertained by inquiry into the financial standing of the assured. Even the amount of stock on hand can closely be arrived at by checking the surplus with the statement of income and expenditures, which represents the profit and loss account.

I.

A THEORETICAL PROBLEM.

In the first and second set of the following statements regarding the result of business transactions of the firm of John Doe and the later firm of John Doe & Co., the figures correspond with the purported deposition taken by W. H. Lowden as adjuster, from John Doe of Milpitas, Santa Clara county, California.

The final result is the same as in the statements made by W. H. Lowden in his excellent treatise on "What to do When the Books are Burned." The difference, and perhaps improvement, in the following statements is the fact that assets and liabilities, i. e., profit and loss, are kept strictly separate, and either one acts as a check upon the other. However, the main change in the following statements is the accounting for everything; nothing is left out, and the adjuster will not be puzzled with the items which are to be taken in and the ones which are to be left out. It is true that outside investments, losses, bills receivable and payable, under certain conditions, neither increase nor diminish the quantity of stock to be accounted for, but it would be rather difficult for the adjuster, or, for that matter, even for an expert accountant, to always decide quickly, whether a transaction affects, or does not affect, the calculations. For this reason it will be best to account for every transaction, as material omissions will be less likely to occur and fewer mistakes will be made.

PURPORTED DEPOSITION.

State of California, }
County of Santa Clara, } ss.

John Doe, being duly sworn, deposes and says, that he is a member of the firm of John Doe & Co., of Milpitas, Cal., the assured under Policy No. 10,000 of the Mariposa Insurance Co.

That on the first day of September, 1889, the stock of general merchandise covered by said policy was entirely destroyed by fire, and that said fire destroyed also all books of account and vouchers relating to the business of the firm of Joe Doe & Co.

That having no means of proving the extent of the loss sustained by said firm, he voluntarily submits the following information regarding its business to the adjuster of said insurance company :

That he (individually) started in the general merchandising business in Milpitas on or about September 15, 1884, with a cash capital of \$4,500. Of this sum, \$2,500 was his own money ; the remaining \$2,000 he borrowed from his brother, James Doe, giving his note for that amount—this note bearing 10 per cent. per annum interest.

That he invested this entire amount of capital in merchandise, except about \$300, which he spent in fitting up and furnishing the store.

That he rented a dwelling in Milpitas, furnishing it with furniture brought from his former residence in San Jose.

That his sales of merchandise from the time he started until January 1st, 1885, averaged about \$500 per month, and that during the year 1885 they averaged \$750 per month. His expenses during this period were rent of store \$25 and rent of dwelling \$10 per month ; merchandise used from the store, say, \$300, and other household expenses \$250 for the term.

That on January 1st, 1886, he took account of stock, but does not remember amount of the inventory.

That during the year 1886 his sales averaged \$1,000 per month. That the rent of store and dwelling were the same as in '85 ; his other expenses being merchandise from store \$240, and other household expenses, say, \$250 for the year.

That in addition to these amounts he expended about \$250 for new furniture for his dwelling, and on June 1st, of this year, he employed a clerk in the store at a salary of \$40 per month.

That during the year 1887 his sales averaged \$1,250 per month, his expenses being as follows : Rent of store \$25 and dwelling \$15 per month ; clerk's salary \$50 per month, and merchandise from store about \$300. That his other household expenses ran up to about \$600 in consequence of sickness in his family and the birth of his baby, the extra expense being about \$200.

That during the year he sold his house and lot in San Jose for \$3,500, receiving therefor \$2,500 cash and a note for \$1,000 at 10 per cent., secured by mortgage on the property.

That he paid his brother \$1,000 on account of the \$2,000 borrowed from him, and three years' interest in addition. That he bought a house and lot in Milpitas for \$2,000, paying \$500 in cash, and giving his note, secured by mortgage, for the balance.

That he moved into the new house in December.

That during the year 1888 his sales up to May 1st averaged \$1,500 per month, his expenses for that period being about the same as in '87, except the baby and the rent of the dwelling.

That on May 1st of this year he admitted a partner, Richard Roe, and thereafter the business was conducted in the name of John Doe & Co.

That at this time the stock in the store inventoried about \$7,000; he owed his creditors about \$1,500 for merchandise bought and received; his customers owed him about \$2,000 for merchandise sold and delivered; and he marked off his books about \$200 additional, which he considered bad debts; that his profits up to this time averaged 25 per cent. over cost and freight.

That he turned over to the new firm all his store property, including \$300 cash on hand. His partner paid in \$5,500 cash, and a note of Peter Jones for \$2,000, with accrued interest of \$100—in all \$7,600. This was considered to be about \$500 more than the net value of the store property as it stood before partner was admitted. The extra \$500 was supposed to equal a half interest in the good-will of the business. The new firm assumed all the liabilities connected with the store, including the \$1,000 due on James Doe's note.

That the terms of partnership were as follows: Each to have a one-half interest in the business, and each to be allowed to draw \$60 per month in cash or merchandise for personal account.

That the new firm increased the stock materially, adding new lines of goods, and enlarged the store at a cost of \$400.

That they bought a lot of land and built a grain warehouse thereon (for which they paid \$3,000 cash), and received grain on storage—their profits from this source being about \$550 for the season. They also sold a lot of grain bags on commission at a profit of \$200.

That they collected \$500, and the old accrued interest of \$100 on the Peter Jones' note, also \$50 on account of interest due since May 1st.

That they bought a horse and wagon for which they paid \$250. Their expenses up to January 1st, 1889, were clerk's salary, rent of store, store expenses, horse-keeping, taxes and insurance, in all say about \$115 per month.

That in October, 1888, a fire originated in the building adjoining their store, said fire damaging their stock.

That they collected from the insurance company \$750 in payment of said damages. Of this amount, \$250 was for goods actually destroyed, the remaining \$500 for smoke-damage to the balance of the stock.

That they did not subsequently sell any of their goods at a lower price in consequence of this fact, except about \$200 worth, which they disposed of at about one-half the invoice price.

That they subscribed and paid \$100 to the local fire department for the purchase of new hose.

That their sales from May 1st, 1888, to January 1st, 1889, averaged about \$2,000 per month.

That during the current year their sales averaged \$2,500 per month, and as they had been pushing the business since the partnership was formed, their profits on merchandise over invoice cost and freight would not exceed 22½ per cent. Their store expenses since January 1st were about the same as in the latter part of '88, except that the clerk's salary was raised from \$50 to \$60 per month at the beginning of the year.

That they paid \$200 interest on the note held by James Doe.

That last Spring they sold their warehouse for \$3,500, receiving \$2,500 cash and a note and mortgage for \$1,000. That their horse died during the year and they bought a new one for \$150.

That they have not taken account of stock since the formation of the partnership.

That at the present time the only notes due the firm (except for merchandise sold) are balance of the Peter Jones' note, \$1,500, and interest since August 1st, 1888, and the \$1,000 note, received in part payment of the warehouse, upon which no interest has been paid. The only notes due by the firm (except for merchandise purchased) is the one held by James Doe, upon which there is \$1,000 of the principal still due, the interest on this having been paid up to date.

That at the time of the fire the condition of their business was about as follows: The firm owes in San Francisco \$2,500, partly on open account and partly notes, but all for merchandise purchased and received. They have outstanding accounts amounting to \$2,500, and hold their customers' notes for \$500, all for merchandise sold and delivered. Cash on hand and in bank amounts to \$400.

That his private account is overdrawn \$500 in excess of the \$60 per month allowance, and his partner has overdrawn his account about \$250.

That all merchandise purchased by the firm of John Doe & Co. was obtained in San Francisco, except about \$300 worth of produce bought from their customers.

That he will furnish when required a list of San Francisco merchants from whom the goods were purchased, and all other information in his power concerning the business of said firm.

JOHN DOE.

Subscribed and sworn to before me, etc.

FINANCIAL STATEMENT

Of John Doe, individually, on May 1, 1888, the day on which he formed a partnership with Richard Roe, under the firm name of John Doe & Co.

Assets.

Store furniture and fixtures	\$ 300.00	
*Bills receivable, note, secured by mortgage at 10% from sale of house and lot at San Jose, Cal.	1,000.00	
*Real estate, house and lot at Milpitas, Cal.	2,000.00	
Debtors—outstanding accounts	\$2,200.00	
Less doubtful	200.00	
	<u>2,000.00</u>	
Cash on hand and in bank, May 1, 1888	300.00	\$5,600.00
Stock on hand, May 1, 1888		<u>7,287.50</u>
Total assets		\$12,887.50

Liabilities.

Bills payable—note 10% to James Doe, Original amount	\$2,000.00	
Paid thereon	1,000.00	
	<u></u>	
Balance due on note	\$1,000.00	
*Bills payable—note secured by mortgage on resi- dence at Milpitas	1,500.00	
Creditors—due for merchandise purchased	1,500.00	
	<u></u>	
Total liabilities		\$4,000.00

Capital.

Original investment, cash	\$2,500.00	
New capital invested, being total proceeds from house and lot at San Jose	3,500.00	\$6,000.00
	<u></u>	
Surplus or gain	2,887.50	
Total		\$12,887.50

N. B.—The items marked with a * do not appear among the assets and liabilities of the later statement of John Doe & Co., because these items were retained by John Doe, individually, and were not transferred to the firm of John Doe & Co.

STATEMENT OF PROFIT AND LOSS.

Income being gross profit from September 15, 1884, to May 1, 1888, a period of 3 years, 7½ months, or 43½ months.

Income.

Sales: Sept. 15, 1884, to Jan. 1, 1885, 3½ mos.	\$500.00	\$ 1,750.00
" Jan. 1, 1885, " " 1, 1886, 12 "	750.00	9,000.00
" " 1, 1886, " " 1, 1887, 12 "	1,000.00	12,000.00
" " 1, 1887, " " 1, 1888, 12 "	1,250.00	15,000.00
" " 1, 1888, " May 1, 1888, 4 "	1,500.00	6,000.00

Total sales, 43½ mos. \$43,750.00

Profit thereon at 25% over cost price, freight included,

the cost price being \$35,000 \$ 8,750.00

Expenditures.

i. e., items to be charged to loss, because there was nothing replaced in their stead in the way of assets.

Expenditures.

Store rent, 43½ mos. at \$25	\$1,087.50
House rent, 27½ mos. at 10	\$275.00
House rent, 12 mos. at 15	180.00
No house rent after Jan. 1, 1888	455.00

Household merchandise taken out for family use :

From May 1, 1884, to Jan. 1, 1886	\$300.00
From Jan. 1, 1886, to Jan. 1, 1887	240.00
From Jan. 1, 1887, to Jan. 1, 1888	300.00
From Jan. 1, 1888, to May 1, 1888	100.00
	940.00

Household cash taken out for household expenses :

From May 1, 1884, to Jan. 1, 1886	\$250.00
From Jan. 1, 1886, to Jan. 1, 1887	250.00
From Jan. 1, 1887, to Jan. 1, 1888	400.00
During 1887, extra expense account, sickness and baby	200.00
From Jan. 1, 1888, to May 1, 1888	150.00
	1,250.00

Household cash drawn for new household furniture 250.00

N. B.—For the sake of uniformity the cash drawn for household purposes from January 1, 1888, to May 1, 1888, a period of four months, has been put down at \$150 instead of \$133.33, as might be assumed from the deposition.

Salaries:

June 1, 1886, to Jan. 1, 1887, 7 mos. \$40	\$280.00	
Jan. 1, 1887, to Jan. 1, 1888, 12 mos. 50	600.00	
Jan. 1, 1888, to May 1, 1888, 4 mos. 50	200.00	1,080.00
Interest paid for three years on note of \$2,000 at 10%	600.00	
Bad debts deducted from outstanding accounts as uncollectible	200.00	
Total expenditures	\$5,862.50	
Income over expenditures, or net profit	2,887.50	
Total		\$8,750.00

ESTIMATING PURCHASES.

From September 15, 1884, to May 1, 1888.

Sales, gross amount	\$43,750.00	
Less profit at 25%, over cost price, freight included	8,750.00	
Cost price of goods		\$35,000.00
Merchandise taken out for family use		940.00
Merchandise to be accounted for		\$35,940.00
Less stock on hand on May 1, 1888, cost price, freight included		7,287.50
Estimated purchases, freight included		\$43,227.50

Merchandise Account.

From September 15, 1884, to May 1, 1888.

Purchases, including freight, as above		\$43,227.50
Deduct:		
Sales	\$43,750.00	
Profit at 25% over last price	8,750.00	
Cost price of mdse. sold, including freight	\$35,000.00	
Mdse. taken out for family use	940.00	
Total to be deducted		35,940.00
Leaving Mdse. on hand, May 1, 1888		\$ 7,287.50

Available Cash and Other Funds for Buying Merchandise.

From capital:

Original cash investment	\$ 2,500.00
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Additional investment, proceeds from house and lot at San Jose	\$ 3,500.00	
Less B/R placed to assets	1,000.00	
	<hr/>	
Net cash proceeds from same		2,500.00
From liabilities:		
Bills payable, note to James Doe	\$ 2,000.00	
Paid thereon	1,000.00	
	<hr/>	1,000.00
Creditors, due them for merchandise purchased .		1,500.00
From income:		
Proceeds from merchandise sold		43,750.00
		<hr/>
		\$51,250.00

Contra.

From assets:		
Store furniture and fixtures	\$ 300.00	
House and lot at Milpitas	\$2,000.00	
Less mortgage	1,500.00	
	<hr/>	
Net cash paid for same	500.00	
Debtors, outstanding accounts	2,000.00	
Cash on hand and in bank	300.00	
From expenditures:		
Total footings	\$5,862.50	
Less merchandise taken for family use . .	940.00	
	<hr/>	
Net cash expenditures	4,922.50	
	<hr/>	
Total to be deducted		8,022.50
		<hr/>
Available funds for purchases		\$43,227.50

The foregoing statements of estimating purchases, merchandise account and available funds for buying merchandise, are merely mathematical illustrations, and not much credit can be based on their correctness as to the final results, although the figures appear to prove exactly.

In the first and second examples, that is, in the illustrations of estimated purchases and the merchandise account, the figures given as sales, as well as profit, and stock on hand, are merely estimates, which are not borne out by facts. The estimates might be changed, as W. H. Lowden has shown in his treatise, and the same results might be achieved.

If the assured, or the adjuster, succeeds by further investigation to prove any one of the items of the examples, for instance, the purchases, the other figures are more likely to be correct, and if they succeed in proving two or more of the items, then certainly these calculations deserve full credit.

The same is true as regards the illustration of available funds for buying merchandise. Though in this calculation, as in the financial statement, and the statement of profit and loss, more items are subject to a further investigation and scrutiny.

PARTNERSHIP BUSINESS.

Result of business transactions of the firm of John Doe & Co., of Milpitas, California, from May 1, 1888, to September 1, 1889, the date of fire, a period of sixteen months.

Capital.

Capital and surplus invested by John Doe, as per foregoing statement	\$8,887.50	
Deduct therefrom items not transferred to the partnership, viz., residence lot at Milpitas	\$2,000.00	
Indebtedness thereon	1,500.00	
Net value of residence investment	500.00	
Bills receivable — Note from sale of house, San Jose, Cal., which note was retained by John Doe, individually	\$1,000.00	\$1 500.00
Total capital invested by John Doe		\$7,387.50
Capital invested by Richard Roe :		
Cash	\$5,500.00	
Note of Peter Jones	\$2,000.00	
Accrued interest thereon	100.00	2,100.00
Total capital invested by Richard Roe		\$ 7,600.00
Total capital invested by the firm of John Doe & Co.		\$14,987.50

FINANCIAL STATEMENT.

Assets.

Of the firm of John Doe & Co., on Sept. 1, 1889, the date of fire.	
*Store furniture and fixtures	\$ 300.00

Horses and wagons		250.00
Peter Jones's note and accrued interest	\$2,100.00	
Received thereon	600.00	
	<hr/>	
Balance due		\$ 1,500.00
Bills receivable, note and mortgage from sale of warehouse		\$ 1,000.00
Debtors—Outstanding accts.	\$2,500.00	
Notes	500.00	
	<hr/>	
Cash on hand and in bank		400.00
† John Doe, overdraft		500.00
† Richard Roe “		250.00
		<hr/>
		\$ 7,200.00
Stock on hand at time of fire		14,909.75
		<hr/>
Total assets		\$22,109.75

Liabilities.

* Bills payable, balance due on note of James Doe	\$1,000.00	
Due to S. F. creditors, open accts. and notes . .	2,500.00	
	<hr/>	
		\$ 3,500.00
Capital as per separate statement		14,987.50
		<hr/>
Total liabilities and capital		\$18,487.50
Surplus or net profit		3,622.25
		<hr/>
Total		\$22,109.75

STATEMENT OF PROFIT AND LOSS.

Income.

Being gross profit from May 1, 1888, to September 1, 1889, a period of 16 months.

Sales, May 1, 1886, to Jan. 1, 1889, 8 mos. @ \$2,000	\$16,000.00
Sales, Jan. 1, 1888, to Sept. 1, 1889, 8 mos. @ \$2,500	20,000.00
	<hr/>
Total sales, 16 mos.	\$36,000.00

N. B.—The items marked with * are brought forward from the Statement of Assets of John Doe, individually.

The items marked † are treated like any other outstanding account, and not as an expense, because either one of the members is liable for this overdraft like any other debtor of the firm.

Profit on merchandise sold at 22½% over cost price, freight included, the cost price being \$29,387.75	\$ 6,612.25
Profit on grain	550.00
Profit on grain bags	200.00
Profit on previous insurance adjustment	400.00
Profit on sale of warehouse	500.00
Interest collected on Peter Jones' note	50.00

Total income or gross profit \$ 8,312.25

Expenditures.

i. e., items to be charged to loss, because none of these items increased the assets of the firm.

Household, cash and merchandise, John Roe, 16 mos. at \$60 . \$	960.00
Household, cash and merchandise, RichardDoe, 16 mos. at \$60	960.00
Expense, clerk's salary, rent of store, keeping of horse, taxes insurance, 8 mos. at \$115	920.00
Expense, clerk's salary, rent of store, keeping of horse, taxes, insurance, from January 1, 1888, to September 1, 1889, 8 mos. at \$125	1,000.00
Expense in enlarging store	400.00
Paid to local fire department	100.00
Interest on note due to James Doe to August 1, 1888	200.00
Loss by death of horse	150.00

Total expenditures \$ 4,690.00

Income over expenditures, or net profit 3,622.25

Total \$8,312.25

AVAILABLE CASH AND OTHER FUNDS FOR BUYING MERCHANDISE.

From capital:

Cash invested by Richard Roe	\$5,500.00
Note and accrued interest of Peter Jones	\$2,100.00
Due thereon	1,500.00

Cash realized 600.00

From liabilities:

Creditors, increase over last statement 1,000.00

From income :

Proceeds from merchandise sold	36,000.00
Proceeds from all other sources	1,700.00
	<hr/>
	\$44,800.00

Deductions.

From assets :

Horses and wagons	\$ 250.00
B / R from sale of warehouse	1,000.00
Debtors, increase	1,000.00
Cash on hand, increase	100.00
Overdrafts of partners	750.00

From expenditures :

Footings	4,690.00
	<hr/>
	7,790.00
	<hr/>
	\$36,010.00

Less merchandise used for the families of the two partners, say one-third of \$1,920, the amount drawn in cash and merchandise	640.00
	<hr/>

Available funds for purchases	\$35,370.00
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The illustration of estimating purchases and the merchandise account have not been made in the above example. They can be easily made in the same way, as shown in the preceding example.

The available funds for buying merchandise must be treated in this illustration on a different basis as before, as only increases and decreases from the former financial statement can be considered.

A PRACTICAL PROBLEM.

In the foregoing examples it has been shown that the value of a stock of merchandise, which has been destroyed by fire, can be ascertained with reasonable accuracy without books, in case the books have been burned, or perhaps have been so inefficiently kept that the records are of but little more value than the memory of the assured.

In the theoretical problem the result of balancing and proving the figures is almost astonishing. This will not be the case in practice. The financial statement and the profit and loss account will not, as a rule, balance. However, the difference between the loss or gain, as shown in the account of income and expenditures (profit and loss account), compared with decrease or surplus in net assets, should not be

far apart, if the assured answers the questions of the adjuster truly, honestly and intelligently.

It will be scarcely necessary to state that in the adjustment of a "Book Loss Without Books" it is more important to adjust the insured rather than the loss. Knowledge of bookkeeping and experience are most important in an adjustment of this kind.

For the purpose of illustrating the practical task more clearly, a problem will now be given, which was solved satisfactorily a short time ago.

The case is presented in as simple a manner as possible, and queries made by the adjuster, which are self-understood and shown by the example, are not reiterated here.

AN ACTUAL ADJUSTMENT WITHOUT BOOKS.

In this problem the names of the assured and of the town are fictitious; the figures are taken from the proof of loss.

The policy was issued by the agent of the Fire Association of Philadelphia, and it insured:

Dr. S. Cure, of Burnt River, Malheur county, Oregon,

\$1,700.00 at 3%, premium \$51, for one year from July 15, 1904, to July 15, 1905, and covered the following items:

\$ 400.00	on frame building, situate on leased ground;
900.00	on stock consisting principally of drugs;
200.00	on store furniture and fixtures;
200.00	on office furniture, fixtures, surgical instruments and medical books.

\$1,700.00 total insurance.

All of this property was totally destroyed by fire on September 30, 1904, at 3:30 A. M., from cause entirely unknown to the assured and neighbors.

The mercantile report stated that Dr. S. Cure started in business without any visible means of his own. The capital invested was borrowed money. The business was rapidly extended and the doctor must have been, considering his spare means, more or less of a financial plunger, though his character and honesty were believed to be good.

This report from the mercantile agency was borne out by the testimony of some of the townspeople, and it was further learned that the doctor had negotiations on hand for selling out the drug store; that the stock had been reduced of late and that a quantity of goods were sold

and shipped to a peddler in the Wallowa Valley. His integrity was not attacked, except by a quack-doctor and competitor of the town, who tried to throw suspicion on the fire and the character of the assured.

From the assured was learned that no insurance was carried on the drug store previous to July, 1904.

The estimates of the building, of the stock of drugs on hand at the time of fire, store and office furniture and fixtures, were gotten up by the adjuster with comparative ease on the basis of information received from the assured. The assured knew fairly well the amount of average monthly sales and the average profit over invoice price, but he had no recollection as to purchases or the freight paid thereon. These latter items were, as will be seen, calculated by the adjuster.

The business and the household were run very economically. He and his wife, who was a "school-marm" before marriage, attended to the store. They had no expense for clerk hire or for a servant girl. They had one child, a boy eight years old.

The assured answered all questions of the adjuster promptly and without hesitation; his eyes did not quiver. He claimed stock was recently taken, about July 1, 1904, at the time when he had negotiations on hand for selling out. The stock amounted to about \$1,900, and the assured insisted for a long while that this amount did not include store furniture and fixtures. However, after being repeatedly questioned, and upon consulting his wife, who helped in making the inventory, he finally admitted his mistake in this respect and yielded that the store furniture and fixtures were included in the inventory.

The assured, at the request of the company, had procured duplicate bills of merchandise purchased and received since the last inventory was taken, which, by the way, must always be insisted upon when the books and vouchers are lost. Had the company or the adjuster known at the time when the demand for the duplicate vouchers was made, that the assured had been in business for only twenty-two months, and that the only inventory ever taken had been made a short time before the fire, then the company would surely have demanded duplicate bills from the beginning of the business. It was ascertained, and corroborated by the freight agent, that the goods shipped to the peddler in the Wallowa Valley consisted of a box of seventy-two small bottles of medicine, specially put up at 10 cents per bottle. This transaction was so unimportant that no further notice was taken thereof.

The merchandise statement also proved that the rumor was correct relative to the reduction of the stock on hand. It was also learned that

before the policy was issued the stock was chattel mortgaged for \$300 to make the first payment on the thirty acres of land bought near the town limits. The chattel mortgage was not further discussed by the adjuster on account of the peculiar decision in this respect by the Supreme Court of the State of Oregon.

The statement of income and expenditures showed a net profit of \$2,401.07, which was indeed a very good showing, considering the period the business had been in existence and the fact that no capital was invested outside of the item of \$435 for office furniture and fixtures, surgical instruments and medical books.

The task of checking the surplus of assets over liabilities was not an easy one; the items had to be pumped out of the assured. He could not understand why it should be necessary for the adjuster to go into all minute details of his investments and private indebtedness outside of the store property. The adjuster had to tell him repeatedly that he must be owing still more money; it could not be otherwise. Finally the assured admitted that when he commenced business he borrowed \$500 from a friend in St. Louis; later \$100 from a sister in the East, and lastly, upon further questioning, it occurred to him that he owed \$150 on horses, for which amount no note was given.

The final result of the surplus in net assets was so near to the net gain of income over expenditures that the adjuster had no more doubts as to the honesty of the assured. The adjuster was so much more convinced of the strict integrity of the assured, because the assured had not sufficient knowledge of what the questions would lead to in the financial problem. The adjustment was quite satisfactory because the value of the items insured left considerable margin above the amounts of insurance.

The assured was certainly well satisfied with the outcome of this adjustment. He was thankful for the treatment which he received, in spite of the ugly rumors which were afloat. No doubt the adjuster could, under the circumstances, easily have squeezed \$100 or \$200 out of the assured, but he did not take advantage of the situation simply because he was convinced that the fire was honest and the loss under the policy was just.

The result of the final proof and statements is herewith submitted. The statements are worth while to be studied by the young adjuster, who probably never knew "how to get at" an adjustment of a book loss without books. However, if the adjuster has not a thorough knowledge of bookkeeping he will do better to leave the adjustment of a book loss

to an experienced man in this line instead of bungling up a case of adjusting a book loss with or without books.

FINANCIAL STATEMENT

Of Dr. S. Cure, of Burnt River, Malheur Co., Ore., on September 30, 1904, the date of fire.

Assets.

Store building, on leased ground, as per estimate	\$ 600.00
Store furniture and fixtures, as per list	501.50
Office furniture and fixtures, surgical instruments and medical books, as per list	435.00
Stock on hand, September 30, 1904, as per statement of merchandise account	1,260.16
Real estate :	
Residence lot	\$ 50.00
House and stable	900.00
	<hr/> \$ 950.00
Thirty acres adjoining town	800.00
Outstanding accounts :	
Store	\$150.00
Doctor's practice	50.00
	<hr/> \$200.00
Written off as doubtful	40.00
	<hr/> \$ 160.00
Cash on hand, September 30, 1904	15.00
Cash in bank, September 30, 1904	none
Horses, cows, buggies and harness	445.00
	<hr/>
Total assets	\$5,166.66

Creditors :

Liabilities.

Pacific Drug Co.	\$439.00
John Smith & Co.	730.00
	<hr/>
Total as per duplicate bills	\$1,169.00
Bills payable :	
Note secured by mortgage on thirty acres	500.00
Note secured by chattel mortgage on stock	300.00
Note to sister	100.00
Owing for horses	150.00
	<hr/>
Total liabilities	\$2,219.00

Capital :

Investment <i>none</i> , except office furniture and fixtures, surgical instruments and medical books, valued at	435.00
Liabilities and capital	\$2,654.00
Surplus	2,512.66
Total	\$5,166.66

STATEMENT OF PROFIT AND LOSS.

From December 4, 1902, the date of commencing business, to September 30, 1904, the date of the fire, a period of twenty-two months.

Drug store : *Income.*

Sales for twelve months at \$240	\$2,880.00
Sales for seven months at 300	2,100.00
Sales for three months at 250	750.00
Total sales for twenty-two months	\$5,730.00
Profit at 60%, freight not included, the invoice price being, therefore	3,581.25
	\$2,148.75

Doctor's practice :

Twelve months at \$100	\$1,200.00
Ten months at \$115	1,150.00
Total twenty-two months	2,350.00
Total income or gross profit	\$4,498.75

Expenditures.

Freight at 10% on purchases, amounting to \$4,726.87, as per statement of estimated purchases	\$ 472.68
Household, cash drawn for household expenses and for the feeding of horses and cows, which were part of the time pastured on the public range, twenty-two months at \$50 . .	1,100.00
Merchandise taken from drug store for family use, twenty-two months at \$5	110.00
Interest paid on notes	200.00
Paid for lease of store ground, two years, at \$25	50.00
House rent before residence was built, ten months, at \$6 . . .	60.00
Insurance on \$1,700 at 3% for one year	51.00
Taxes	14.00
Written off as doubtful	40.00
Total expenditures, or loss	\$2,097.68
Net profit in twenty-two months	2,401.07
Total	\$4,498.75

It will be noticed that in this case, where profit is based on invoice price, freight has been treated as an expense.

If the various items subject to depreciation appear in the statement of assets already depreciated, then the amount of the depreciation must, for the purpose of balancing, appear under the items of expenditure, which in fact represents in this case the loss account.

RECAPITULATION.

Surplus of assets over liabilities and capital	\$2,512.66
Gain of income over expenditures	<u>2,401.07</u>
Difference	\$ 111.59
Which amount is trifling when compared with value of amounts insured and insurance thereon.	

STATEMENT OF MERCHANDISE ACCOUNT.

Inventory taken July 1, 1904, value	\$1,951.50
Less store furniture and fixtures	<u>501.50</u>
Invoice price of stock on hand	\$1,450.00
Purchases :	
July 1, 1904, to date of fire, as per duplicate invoices	<u>179.37</u>
Invoice price of merchandise to be accounted for	\$1,629.37
Deduct :	
Sales, three months, at \$250	\$750.00
Profit at 60% over invoice price	<u>281.25</u>
Invoice price of merchandise sold	468.75
	<u>\$1,160.62</u>
Used for household, three months, at \$5	<u>15.00</u>
Invoice price of merchandise destroyed	\$1,145.62
Add freight averaging 10 per cent.	<u>114.56</u>
Cost, including freight, of merchandise destroyed	\$1,260.18
Depreciation 2 per cent. on cost	\$25.21
Cash discount, 2 per cent. on invoice price	<u>22.95</u>
Deduction for depreciation and cash discount	48.16
Net cash value of goods destroyed by fire	\$1,212.00

STATEMENT OF LOSS.

<i>Item Insured.</i>	<i>Original Cost.</i>	<i>Depreciation.</i>			<i>Cash Discount.</i>	<i>Value at Time of Fire.</i>	<i>Insurance.</i>	<i>Loss in Excess of Insurance.</i>
		<i>Time.</i>	<i>Per cent.</i>	<i>Am't.</i>				
Building	\$ 600.00	2 years	10 %	\$ 60.00		\$ 540.00	\$ 400.00	\$140.00
Stock	1260.16	22 mos	2 %	25.21	\$22.95	1212.00	900.00	312.00
Store Furniture and Fixtures	501.50	2 years	5 %	25.10		476.40	200.00	276.40
Office Furniture and Fixtures	435.50	3 years	10 %	43.50		391.50	200.00	191.50
Totals	\$2796.66			\$153.81	\$22.95	\$2642.85	\$1700.00	\$919.90
No Salvage								

CONCLUSION.

This Paper has not been written for the young man who expects to reach the manager's chair by an easy, lazy life, by pull or social standing. It has been written for the young man who will do every time his full duty, who is not afraid of hard work. It has been written for the young man who believes that the profession of an adjuster is one of the highest callings in this world on account of its variety of necessary knowledge. It has been written for the man who loves to work, the one who knows no better purpose in this life than to die with the epitaph in the hearts of his friends: "The world is better for his having lived in it." (Applause.)

The President—Mr. Mayer's Paper is upon a live subject, and is certainly very interesting. I am particularly interested in it because it emphasizes the importance of a more thorough knowledge in this branch of our business, and I may say that such questions are included in institute work. I have always adhered to the idea that the important duty of an adjuster was to satisfy the assured in all cases possible. In order to do this, he must be thoroughly conversant with the details of his profession. In other words, if the claimant is not satisfied with a statement of loss made up with freight included, or vice versa, the

adjuster should be able to make up a statement to satisfy him that his interests are being protected. In other words, the adjuster should prove to the claimant that the statement of loss is absolutely correct. In this connection, I had a case once where I made up a loss statement in the old way, by adding freight to the cost of the goods destroyed. In order to do this, I had to cut out of the assured's merchandise account the item of freight. He was not satisfied, and wanted to know why I did not leave the freight in. I replied, "I can do so, but it will change the item of profit which will be less," and I showed him the reason for it. He was satisfied thus far and said, "If you will make up a statement including the freight, I think I will be satisfied with the result." I did so, reached the same conclusion and he was perfectly satisfied. This example only emphasizes the importance of being able to *prove the result*. There are a number of old adjusters here to-day and a lively discussion should follow.

Mr. Sexton—It is a great advantage, Mr. President, to be an old man, as you will observe. He gets the right to go in and make a fool of himself first. This is one of the most valuable Papers that has been written for this Association, and as such it ought to be printed in pamphlet form, four or five hundred copies. I will now make a motion to that effect. It is too long for a person to discuss off-hand this way. I hope it will be printed by itself.

Mr. Lowden—Mr. President, I do not want to take up much time in the discussion of this matter, because we could talk about freight in and freight out for an hour and then not reach a definite conclusion so far as convincing each other is concerned. But I want to second Mr. Sexton's motion, and I want to do it very heartily—that at least 1,000 copies of Mr. Mayer's Paper be printed, that the Executive Committee be authorized to bind them up in pamphlet form, and that they be distributed free to members and associate members, one copy to each, and that extra copies be held in the library at 50c apiece—they are worth \$5. Mr. Mayer in his opening remarks stated that neither he nor I could agree as to what could be left out of his Paper. That is true. I have come to

the conclusion that nothing can be left out of it without injuring it, and very little could be added to it to help it. I think this is the most exhaustive treatise on book losses in general merchandise stores and kindred stores that I have ever seen—in fact, it is the most exhaustive. The statements are complete, with perhaps the exception of the Griswold example of freight in and freight out, which has been a bugbear to all of us for years and yet ought not to be, because it is very simple when we figure it out. As the President has said, it is an easy matter to convince the assured that, no matter whether you figure freight in or freight out, he is going to get the benefit. I think the thanks of this Association are due to Mr. Mayer for the extraordinary amount of work he has spent on this Paper. I know what it is to get up such Papers. Fifteen or sixteen years ago I made up a little statement which, together with Mr. Sexton's valuable additions, have occupied the stage all this length of time. But I think we shall have to retire when Mr. Mayer's Paper gets into the hands of adjusters. (Applause.)

The President—Mr. Maris, have you anything to add to the discussion?

Mr. Maris—No. I would have said what Mr. Lowden did. I cannot add anything.

Mr. Gunn—I move that the Paper be printed in the same type and form as the Lowden and Sexton Book, so that the two can be compared.

The motion to print was unanimously carried.

Mr. Thornton—Before passing from the discussion of Mr. Mayer's Paper, I wish to relate a story that is told of him concerning an experience he had in Portland. He was put on the rack for a couple of days' examination in a lawsuit, in the course of which examination he refuted statements made by expert bookkeepers, and, upon being examined and cross-examined by several attorneys, he was never swerved from his position. Finally the Judge in his address to the jury, stated that, in spite of the testimony of the witness that he was born in Germany, he

was nevertheless of the opinion from his bright mind and quick repartee that he must have been born in the Emerald Isle. (Laughter.)

The President—We have one more Paper for this afternoon, "A Saw Mill Inspection," by Mr. A. W. Whitmer.

Mr. Thornton—Mr. President: Mr. Whitmer requests me to say that he has not entirely recovered from a very severe attack of tonsilitis, and he is therefore, unfortunately, unable to read his Paper, and has requested me to do so. I will state that Mr. Whitmer's Paper is not intended as a description of the standard construction of saw mills, or suggestions for those who intend to build them, but is a criticism of the average mills as we find them, with suggestions as to the proper method of remedying the defects.

A SAW MILL INSPECTION.

A. W. WHITMER.

During the past few years there has been considerable improvement in the way of a more intelligent and comprehensive understanding of the physical hazard of the saw mill plant in detail on the part of the owners, as well as the local and special agents. The introduction and application of the schedule applying to wood-working establishments, which has been given general circulation throughout the Northwest, has resulted in a more particular reference to the various deficiencies existing in nearly every mill. While it is possible that experience may develop the necessity of modifying some of the charges for certain deficiencies expressed in this schedule, yet it is unquestionably based upon correct principles. As the schedule now stands it offers to the mill owner in return for standard construction and proper location and arrangement of the various buildings, a most substantial reduction from previously existing rates.

The writer, however, will endeavor to treat the saw mill risk from a physical standpoint only, having attempted to tabulate in this paper a few well-known facts having a bearing upon the desirability of the average steam power wet log saw mill from an insurance standpoint, without reference to the moral hazard, and without any attempt to suggest herein specifications or recommendations for new plants, but simply to offer a few ideas which it is hoped may be applied to existing risks with a view to their betterment.

BOILER ROOM.

We commence with the boiler room. Which we usually find of frame construction, board or shingle roof, adjoining and communicating with the mill building. In most cases it is difficult if not impossible, to persuade the owner to change its construction to brick, or to remove it further away from the mill building. This necessary separation may in a way be accomplished if we can interest the owner sufficiently to induce him to build a solid wall between the boiler room and saw mill. This wall should be of brick if possible, but if this is out of the question a wooden wall constructed of 2x6 timbers, laid flat, and spiked, with openings only for steam pipes and conveyors properly arranged. If a door is required, the same to be of double ordinary thickness covered with tin, according to underwriters' specifications. If this change can be made, and the owner can be induced to go a little further in the matter, the other three walls of the boiler room should be made of same material, and in like manner. This change, together with a metal roof in place of the existing board or shingle roof, makes an entirely different condition of affairs. The result is that we have a boiler room with solid walls and of slow-burning construction, instead of three walls of 1-inch boards and no protection or shut-off whatever between the boiler room and the mill. Such an arrangement as has just been described should, under ordinary circumstances, confine any fire within its walls for a sufficient length of time to be extinguished if adequate fire protection is available before the other buildings comprising the plant are involved.

Inside the boiler room there is usually found an accumulation of sawdust and shavings in front of the furnace doors which is not taken care of by the conveyors automatically feeding into the furnaces. Ordinarily it is difficult to explain to the owner that this condition is dangerous, because of the fact that there is a fireman at all times on duty during the day, and a watchman supposed to be on the place at night. Notwithstanding this contention on the part of the mill owner, or the mill foreman, saw mill plants continue to burn. Not long since, in a comparatively small mill plant where sawdust and shavings were allowed to be piled or stored directly in front of the furnace doors, the mill owners took the position that on account of a good system of fire protection and the presence of their employees in the mill, it was perfectly safe to allow this condition to exist. One day, however, the fireman left the boiler room for a few moments, an explosion took place in the furnaces, throwing the furnace doors open and scattering fire on this pile of refuse. The result was that the fire had gained such headway before their fire protection

could be brought to bear that the entire plant was destroyed, involving the loss of some \$15,000. Other instances could be cited, in keeping with the above. Therefore, we should insist that there be a good brick or cement floor in front of the furnace doors and a clear space of from 6 to 8 feet or more maintained between the furnaces and any sawdust or shavings. There should be built also, a cribbed dust room or bin to contain the surplus sawdust and shavings, and the openings from which the refuse is shovelled into the furnaces, should be protected by fire doors.

Another feature of the boiler room requiring close examination is the condition of brick casings around boilers. We should look especially for cracked casings behind the boilers, as we often find that they have fallen in, or are badly cracked, which condition renders it possible for sparks to escape and fall on dust-covered overhead beams.

Proceeding next to the saw mill proper, we should look for an accumulation of dust and refuse underneath and insist upon its removal.

All steam pipes should be covered with asbestos, hung on metal stirrups, or given proper air space where passing through wooden openings.

Wherever steam pipes are resting on wooden supports or come in contact with wood, or are located in concealed places, they should be particularly examined. The writer has noticed several instances where wooden supports have been charred or burned to an extent that would hardly seem possible without the actual proof of the occurrence.

PLANING MILL.

In examination of a planing mill, the presence or absence of a complete blower system should be noted, as it is possible with a good blower system to keep this department of the plant nearly free from any accumulation of refuse, shavings and sawdust. Last, but not least, we should encourage whitewashing the interior of all portions of the plant.

The dry kiln question is one which has been the subject of much consideration and investigation on the part of both underwriters and mill owners, and the standard construction at the present time seems to favor a kiln of either brick or cement construction, without any attic overhead,

However, we still have to contend with the hundreds of old style kilns still in existence—kilns of studded construction, attic overhead—walls either hollow or filled with sawdust; and in the considerations of risks of this character we should make every effort to secure their improvement, in addition to the water system, by insisting upon the pro-

tection afforded by perforated water pipes inside, steam pipes with valve on outside to assist in smothering fire, and also upon bulkheads in attics, and that all wooden roofs be protected by a properly arranged system of revolving sprinklers.

REFUSE BURNER.

If a standard brick or iron refuse burner is lacking and the refuse consumed in an open fire, we should note all accumulation of sawdust or refuse between the fire and mill building and insist upon its removal, and also note that the lumber yard is not extended so as to become endangered from the refuse fire. An enclosure of corrugated iron around the fire is of more or less benefit, and a hydrant near the end of the conveyor a necessity.

LUMBER YARD.

An important feature to observe is the fulfillment of the clear space clause warranties—especially so, if lumber has a less rate than the mill building. Frequently we find the clear space observed in accordance with the clause, but without reducing the risk, as the assured is allowed to load and unload within such clear space, and often imposes upon this privilege by placing numerous trucks of lumber and temporary piles between the kiln and yard, or between the kiln and mill building. These piles of lumber await their turn at the kiln, and, upon their removal, are immediately replaced by other piles in like manner, thereby reducing the effect of a continuous clear space, without infringing upon the condition of the clause.

FIRE PROTECTION.

We find in many instances where a mill plant is not supplied with a gravity water system and is dependent on a fire pump, that the fire pump is located in the boiler room. The fire pump should be in a separate building forty to sixty feet distant from the mill. Connecting mains should be circulating so as to prevent clogging sediment. Main hydrants should not be located too close to buildings. A standard first-class fire pump requires a capacity of five hundred gallons per minute, and under the most favorable circumstances will not furnish more than two or three streams from a two and one-half inch hose, with an inch and one-eighth nozzle. It will readily be seen that pumps of smaller capacity—and there are so many of them in use—cannot be depended upon to produce satisfactory results. The writer has found it convenient and satisfactory to make use of some of the catalogues published by the leading pump manufacturers, therein stating the capacity in gallons per minute of the differ-

ent sized pumps, and with this authority to refer to the mill owners are often times surprised at the small capacity of the pump in use.

The danger from roof fires by igniting sparks can be greatly minimized at a slight expense by the location of a one and a quarter, or one and a half inch water pipe on the roof with revolving lawn sprinklers attached; these sprinklers to be located from 6 to 10 feet apart and in constant operation, thereby insuring a wet roof.

BULK-HEADS.

Bulk-heads of at least two-inch double thick plank should be insisted upon to prevent fire from extending underneath mill buildings located on piles. The writer suggests to the managers of insurance companies that they furnish their special agents with printed folders embodying "Dont's" for the guidance of manufacturers in the protection of their property.

I have touched upon only a few of the physical hazards which make the mill risk desirable, or otherwise, and do not assume to have suggested any facts which are not already well understood, but believing these matters to be of importance, I trust a greater interest in the subject may be created by this effort. A satisfactory inspection of a saw mill plant cannot be accomplished in a few moments, or in an off-hand manner, as it is impossible to note all the features bearing upon the safety of the plant that it has taken months to construct. If, on the other hand, we have well in mind the specific defects to look for and then give each department of the plant a careful examination by itself, we arrive at an intelligent understanding of the risk and are prepared to make recommendations which the owner is bound to respect, even if he fails to carry them all into execution.

Undoubtedly it would be more satisfactory to the managers and home offices if, upon receipt of a daily report covering a mill plant, it were accompanied by a careful survey furnished by the agent. There seems to be a reluctance on the part of many agents to furnish a special hazard survey on the 2-page blank sent them, and the writer is inclined to believe that if a special hazard survey were gotten up for the districts where woodworking plants abound, with the important questions all on one side of the sheet (something about the size of an ordinary daily report, with the reverse side of the sheet ruled for a diagram), that it would not be so difficult to secure a special hazard survey which would furnish as much, if not more, information than the forms in use at the present time. (Applause.)

The President—Are there any suggestions to make on this interesting and valuable Paper of Mr. Whitmer's? I think it is a subject which will bear considerable discussion.

Mr. Gerould—Mr. Whitmer touches upon the form of the daily report and uniform surveys of the mills. I am heartily in accord with that sentiment. When the manager is passing upon a daily report of a mill, he ought to have all information pertinent thereto, and those owners who are unwilling to give to the agent or to the special agent, every particular about their mills, are the men whom it has been my experience, it is better to let alone. A man who is honest and wants his insurance at a reasonable rate is the man who is willing to give every particular about his risk, and give it cheerfully. Of the other class, 99% are risks we had better turn down.

Mr. Staniford—I think what Mr. Gerould says emphasizes some few things said in my Paper relative to the information that the assured should furnish to the managers upon the subject of their risks. It seems to me that the gentleman's remarks are applicable to the ordinary risk as well as to the special hazard. Mr. Whitmer's suggestion of the cards, or information slips, to be furnished to the assured showing him the hazard of his risk is a most excellent idea, and there should be some thought given to it. If we can formulate a plan, or offer some further suggestion, such as this Paper has indicated, for that plan to be carried out, I think it would be most valuable, not alone in its application to special hazards, but to all other risks.

At this point adjournment was taken until the following morning at 10 o'clock.

SECOND DAY.

SAN FRANCISCO, CAL., January 11, 1905.

President Fuller called the meeting to order at 10 a. m.

The President—Before proceeding with the program for the morning session, I believe the Secretary has some matters for our consideration, and we will now hear from him.

The Secretary—We have applications for membership from the following named persons: Mr. G. A. R. Heuer, Special Agent of the Transatlantic; Mr. Henry S. Manheim, City Agent of the Scottish Union and National; Mr. Frank P. Wilson, State Agent of the Continental; Mr. B. D. Wright, Special Agent of the British America and Western Assurance Cos.; Mr. W. L. W. Miller, General Agent of the British America and Western Assurance Cos.; Mr. E. J. Young, Special Agent of the North British and Mercantile; Mr. William W. Cleveland, Special Agent of the Franklin Fire Insurance Co. of Philadelphia; Mr. J. C. Crooks, Special Agent for Edward Brown & Sons; Mr. Charles A. Colvin, Special agent of the Phenix of Brooklyn; Mr. F. A. Chapuis, Special Agent of the Germania; Mr. C. A. Schallenberger, Special Agent of the Hartford; Mr. George E. Devine, Special Agent of the Hartford; Mr. P. H. Griffith, Special Agent of the Hartford; Mr. Joseph A. Murphy, Special Agent of the Ætna; Mr. S. W. Kroesen, Special Agent of the German-American; Mr. C. H. Anderson, Special Agent of the National and Springfield; Mr. W. F. Keller, Special Agent American Central; Mr. A. H. Trathen, Ass't Manager Franklin Fire Ins. Co. These are all in regular order, and duly vouched for. I recommend that they be elected members of this Association.

The President—You have heard the names of the applicants read. In order to dispose of the matter properly, I will now entertain a motion to suspend the rules and instruct the Secretary to cast the ballot for the election of the gentlemen named as active members of this Association.

Mr. Edwards—I make a motion to that effect, Mr. President.

The motion was duly seconded and passed unanimously.

The Secretary—Gentlemen, in our library we have a number of duplicate publications. In conversation with some of the members of the Association from the Northwest, they have expressed a desire to have our Association loan our duplicates to them, the title to said publications to remain with us, and, as an officer of the library, I would very gladly do it, and I hope you will sanction the same. I make a motion to the effect that all duplicates that they can make use of in the Northwest will be loaned them.

Mr. Thornton—Mr. President, in seconding that motion, which I heartily do, I would like to say that the special agents residing at Portland have access to a very good insurance library, the property of Mr. F. J. Alex. Mayer, who has kindly consented to all special agents there having access to his insurance books. The men who make their headquarters in Seattle and who do not go to Portland, have no opportunity to refer to Mr. Mayer's insurance library. If this motion is carried, and this Association loans its duplicate volumes to the men of the Northwest, I would like to have the motion embody the fact that such volumes be sent to Seattle. I think it would perhaps be a good idea to have them sent to Mr. Lee McKenzie, and we would all find it very convenient to go to Mr. McKenzie's office in Seattle, in addition to which he has the best of facilities for taking care of the books sent there, and they will remain in his possession, being at all times the property of this Association.

Mr. Staniford—I would like to ask if those volumes would remain in the Northwest for any specified length of time. Would they become a nucleus for perhaps a loan library there, or would they be permitted to go to the Southern California Association?

The Secretary—In reply to Mr. Staniford, I can say that they would remain there permanently, or as long as the Northwest Association might wish. Furthermore, we have triplicates of a great many issues,

and we would be only too glad to send them to Southern California, or anywhere else where the specials or members of our Association could have access to them. Anything we can do to aid or assist either the North or the South, I am sure we shall be very happy indeed to do.

Mr. Edwards—Replying to Mr. Thornton, Mr. President, I think it would be better if we loaned these books to the Northwest Association as an organization, and let them be responsible to us for them, and if they wish to send a portion of those books to Seattle, they can do so. But for us to send them to Seattle, they would pass entirely out of our possession, and we would not know where they would land. In the possession of the Association of the Northwest, the officers of that organization being perfectly responsible, they would undoubtedly look after the books and see that they were properly cared for.

Mr. Thornton—Mr. Edward's suggestion is a good one, Mr. President. Mr. Gunn, the Vice-President of the Special Agents' Association of the Pacific Northwest, is a resident of Seattle, and it would undoubtedly be a good idea to send them to Mr. John W. Gunn, and we could discuss the matter in the Northwest and decide where they should be located, and I have no doubt but that they would be placed under Mr. McKenzie's care, and the Association in the Northwest would then be responsible for all volumes loaned.

The President—That is a matter of detail. I think Mr. Edward's suggestion is the proper one; that is, to send the books to the Special Agents' Association of the Pacific Northwest, in which case there will be no division of responsibility. If that Association decides to send the books to Seattle, well and good. Do I understand that there is a motion to that effect before the meeting?

The Secretary—I will make my motion correspond to the President's suggestion.

The motion was duly seconded and unanimously prevailed.

The President—Have you anything further, Mr. Secretary?

The Secretary—Nothing further, Mr. President.

The President—We will now take up the first number on our morning program, "The Relations of the Special Agent to the Local Agent," by Mr. James C. Cunningham.

Mr. Cunningham—Mr. President and Gentlemen: I have a short Paper to present. Before proceeding with it, I simply wish to say that it is not the purpose of this Paper to specialize. I have observed that the Papers which have been written that have dealt with the matters of inspections and adjustments, and so on, have been specialty Papers, as I would term them. It has seemed, therefore, to remain for me to try and say something in the direction of a moral tone, a little better local agent, and a little better special agent, and thereby improve the conditions of our business. If there is anything in my Paper which will help to bring about anything of this kind, the object of the writer will be accomplished.

THE RELATIONS OF THE SPECIAL AGENT TO THE LOCAL AGENT.

JAS. C. CUNNINGHAM.

This subject is so broad and comprehensive in its scope that an article even touching upon all of the many important and varied phases embraced by it would suffice to fill the entire volume of the Annual Proceedings of this Association.

I think our President must have realized this fact when he invited me to write a *brief article* on the subject. In compliance with his request I will endeavor to present only a few of the more important and essential features of this very important theme.

I would not presume to be didactical in this discussion, but with the indulgence of the Association will briefly present some of the observations incident to the subject which have been noted by the writer as worthy of mention.

"To observation which ourselves we make
We grow more partial for the observer's sake."

The various methods employed by the several special agents in the conduct of their business are as numerous as the men engaged. Probably no two special agents proceed along the same lines or employ the same methods, and yet the majority of them succeed, each in his own way.

The tutor said to his master: "There is no royal road to learning." It must be said to the special agent: "There is no royal road to success" in his business. Close application, intelligent and persistent effort alone will suffice. Someone has said that the special agent is born, not made. He alone must be responsible for his future.

It appears that the special agent has been the subject of much discussion by this Association at previous sessions. Like Banquo's Ghost he will not down.

MEETINGS.

Every year about the Ides of December this much discussed object (the special agent) is commanded by his potentate to cease his labors for a brief season, to retrace his steps and journey toward the setting sun and to abide for a few days (the growing grain season being over) within the walls of the Mecca across the bay. Immediately after his arrival he presents his expense account (which was prepared en route) together with a draft on the next month's salary to balance same. This method of dealing in futures is not employed by the special agent in a speculative way as it is by a certain class of individuals whose habitat is the various boards of trade, and Wall street in particular, but simply as a precautionary measure by which he hopes to keep his manager interested in him. This trivial matter of business having been attended to, he is required to give his principal a strict account of his stewardship since his last pilgrimage to and departure from the Imperial City. He is then summoned before the tribunal which has been convened for the purpose of reviewing things in general and the special agent in particular. Here he is permitted to hear the reading of divers and sundry informations and complaints which have been filed against him. If he succeeds in answering the allegations or securing a stay of judgment or a continuance until another session he is bidden (by the Dinner Committee) to repair to the chief hostelry where he is assigned a seat at the royal banqueting board. Here he is toasted and jollied and bidden Godspeed. The next morning, before leaving, according to ancient custom, he hies himself to his principal for unction and an order for a new book of expense drafts. He is then commended to the tender mercies of the local agent and is bidden hence to gather in more shekels and fewer losses.

DECISIONS.

Notwithstanding this recurring ordeal I believe that the special agent has profited much by these annual pilgrimages and the consequent attendance upon the sessions of this Association. Notably the session

of A. D. 1902. At this session some very important legislation was enacted. It appears in the record of that session that it was represented that the special agent at that time did not know how to make a diagram, map a town, make rates, or apportion a policy under the Kinnif rule, and that he was deteriorating generally. The case was tried on its merits and it was decided "That the Special didn't have to know how to do any of these things, because Sanborn makes the maps, the towns are specially rated, and the policy forms are printed concurrent, and in conclusion the court decreed "That the Special is keeping up with the times and that he is not deteriorating." Justice Sexton read the opinion, which was concurred in by the entire bench. (See pages 7, 8, 9, 10 and 11 of the Annual Proceedings, 1902.)

At this same session another decision was rendered and it was ordered to be recorded: "That the farther we get away from San Francisco the less trouble we find." This opinion was read by Justice Dornin. (See page 193 of the Annual Proceedings, 1902.) In confirmation of this learned opinion I am constrained to note that the last delinquent notice emanating from the Secretary's office discloses the fact that more than 76% of all the delinquent accounts in the Pacific Departments are in California, while it produces less than 48% of the income.

Now that it has been decided that the Special does not have to know everything, that he can give a good account of himself even in the remotest parts of the field, and that he is not deteriorating, I am sure that my colleagues will join me in the earnest hope that in case an information is filed at this or any future session alleging that the special doesn't know how to secure "growing grain insurance;" that a decision may be speedily had affirming "that he doesn't have to," because the mutual man gets it all for *him?self*. Then I have no doubt that a decision could easily be secured affirming that the special is really progressing.

I would call a truce to badinage and would proceed in a more serious strain.

THE SPECIAL AGENT.

The relation of the special agent to the local agent should be one of co-operation. The special agent is the ambassador of the company which he represents. He is the envoy extraordinary and minister plenipotentiary. He is sent forth with instructions to discover new fields of commerce, to stimulate old ones, and to direct the channels of revenue into his office. He is also commanded to be observant and to report promptly any infractions of the "Monroe Doctrine" which would inter-

fere with the business of his company unless satisfactory trade relations (reciprocity) have previously been agreed upon.

The special agent must therefore be a diplomat. In order to be successful he must needs be a strong, positive, aggressive character. A compromiser never. He should enjoy good health and be possessed of more than an ordinary common school education. He will gain experience. He should be genial and courteous at all times. His character and habits should be above reproach.

He should be thoroughly posted concerning the business of fire insurance generally, and particularly in regard to the minutest detail of his principal's policy of underwriting, especially so far as applies to or affects the local agent. He should be able to communicate this information intelligently to the local agent and through him to the insuring public, whose favor we seek.

FIRE INSURANCE DIFFERENT FROM OTHER CLASSES OF BUSINESS.

It must be observed that the business of fire insurance differs very materially from almost every other class of business. This is true because of the peculiar nature of the business. Practically all "reputable" fire insurance companies conduct their business along similar lines; that is, they all employ special and local agents for the purpose of securing business. They all issue similar contracts (the Standard Policy Form). They charge the same rate of premium for their policies and they pay the local agent the same rate of commission. There should be no bargain counters in the legitimate fire insurance business. It is a contract of indemnity, nothing more, nothing less, and all reputable companies pay their honest losses promptly in the coin of the realm. Hence it follows that practically the only advantage that one company enjoys over another is in the superior personnel of its officers and representatives from the president down. Therefore the success of a company depends very largely upon the intelligence, integrity, loyalty and energy of its representatives. And upon none of them is it more dependent for its weal or woe than the local agent who furnishes the sinews of war.

ESTABLISHMENT OF RELATION OF CONFIDENCE.

Too much importance cannot be attached to the establishment of a relation of confidence, respect and loyalty between the local agent, the Special and the company. The best results cannot be obtained unless such a relation exists. The special agent should therefore address himself to this very important subject to the end that he succeeds in accom-

plishing this much desired result for his principal and himself. The special agent should be a close observer and should cultivate his knowledge of human nature. He should be careful in the selection of the representatives for his company, and when he has made his selection he should co-operate with them in every honorable way possible.

DUTIES OF SPECIAL AGENT.

Moreover, the special agent should be able and willing to assist the local agent in the selection and securing of risks, making rates, writing policy forms, making endorsements, cancelling or reducing policies and the various other duties required of the local agent. I am of the opinion that the special agent who renders the most efficient service for the local agent in the discharge of the above duties is the one most likely to be most appreciated by the local.

THE LOCAL AGENT.

The local agent should be encouraged to employ only correct methods in conducting his business. It is practically no more trouble for him to perform his work right than it is for him to dispose of it in a careless, slipshod manner, and it is infinitely more acceptable and satisfactory to the company, or the manager when it is executed correctly.

KEEPING OF LOCAL AGENTS' RECORDS.

The keeping of the records in a local agent's office is one of very great importance. I am thoroughly convinced that the local agent will entertain a higher regard for the business of fire insurance generally if he has formed the habit of conducting his insurance business in a careful, business-like manner.

ADJUSTMENT OF LOSSES.

Volumes have been written concerning the adjustment of losses, and yet much could be said upon this important subject. It is not my purpose, however, to dwell at length upon this subject, but I desire to state briefly that from the experience I have gained during the sixteen years in which I have been engaged as a local and special agent that I am firmly of the opinion that an honest loss honestly and expeditiously adjusted and the claim promptly paid will tend to promote in the minds of the local agent and the assured a stronger feeling of confidence than can be produced by any other factor employed in the business. Every claim for damage under a fire policy

should be carefully and intelligently investigated in order that exact justice should be accorded the assured and the company. Every honest local agent (and there is a legion of them) is willing to co-operate with the adjuster, and I am bound to remark that if the special agent is an *adjuster* and not a *settler*, much good will result by reason of his co-operation with the honest local agent. The local agent should be thoroughly convinced that there is only one way of adjusting an honest loss, that is the honest way, and that the payment for same is made without regard as to whether the claimant is a large or a small property owner. The same straightforward methods should be employed by the special agent in *all* of his dealings with the local agent. Any quibbling or compromising in this connection by the special agent cannot fail to breed suspicion in the local agent's mind, and bring disrepute not only upon his own company but upon the entire business.

LOCAL AGENTS FILL IMPORTANT POSITIONS.

Local agents are usually found among the brightest and most active men in the community in which they reside; and, consequently, they are frequently elected to fill the most important and honorable positions. If these men in their relations with the insurance companies, while acting as agents, have found that the companies have always been honorable and straightforward, they cannot fail to entertain a feeling of respect for the important business in which we are engaged. Many of us can recall that there are many positions in the legislative, executive and judicial branches of our government which are now being acceptably filled by men who were formerly engaged as local agents. Who can measure the good influence these men can exert in our behalf in their new and enlarged spheres of influence if they are thoroughly imbued with the proper conception of our business.

In closing, I desire to commend to your favorable consideration the careful, conscientious, intelligent local agent upon whom we are all dependent for our success in the business. He furnishes the ammunition while you direct the firing. He is the man behind the gun. May he live long and prosper, and may the relation between the special and the local agent continue to grow closer and closer as the years go by.

(Applause.)

The President—I am sure that if the special agents of our Association will follow the rules laid down in Mr. Cunningham's instructive Paper, there will be no need of making mistakes. This is a subject that

ought to be taken up by the special agents, and I hope we will hear from them. Mr. Staniford, can you give us some thoughts on the subject?

Mr. Staniford—I was waiting for some of the older members to say something, Mr. President. I do not believe that a Paper upon which a man spends a lot of time, digs down into his subject and studies it, should be passed without some remarks. I do not desire, however, to discuss the Paper simply upon that ground, because it is a good production, and I want to compliment Mr. Cunningham on the good meat in it. There is a whole lot of information in this Paper for us fellows on the road to take into our heads and study and profit by. We who are attempting to train the local agent, make him what he is. If we live up to proper ideals and train him along correct lines, as Mr. Cunningham has suggested, we produce a good local agency force, which is a most important factor in our business. As we appreciate his services we should reciprocate by rendering him every assistance possible, and there is no better way than by teaching him the theory and practice of writing fire insurance as it should be written and persuading him to answer the questions on the daily reports.

The President—That is what I was after; I knew Mr. Staniford would bring up the question of more detail. We would like to hear from some of the other specials while on the subject of this Paper. Will you add something, Mr. Richards?

Mr. Richards—Mr. Chairman, I think the writer has touched upon all the points so clearly that there is very little to be said except to congratulate the writer. There was one thought, however, that impressed me as he was reading: When we go out into the field in a rough and tumble fight to get the business, we find things not exactly theoretical, perhaps, but the idea is such a good one that if we could all rise to it, the business would be better for us, the work would be easier, and the results more profitable. Let us hope that we may be able to do so.

The President—The next Paper upon our program is entitled “Building Losses for Beginners,” by Amos Sewell.

Mr. Sewell—I was rather looking for the primer class this morning, but the faces I see before me suggest that you gentlemen may know more about building losses than I do. The writing of this Paper was inspired by circumstances rather out of my control. I entered the employ of a company some years ago rather noted for its originality in handling these matters, and I suddenly found myself, without notice, in a position where I had to furnish my own building estimates, or furnish estimates made by a carpenter and paid for out of my own pocket. So I began the study of the subject. I would have been very thankful to have received such information then as I have tried to compile here for the benefit of the younger men. I could not get it at that time, and had a great deal of difficulty in getting the data that I wanted and needed.

BUILDING LOSSES FOR BEGINNERS.

AMOS F. SEWELL.

The time is at hand when fire insurance companies look to the special agent to make his own estimate of building losses and check up those made by contractors and builders. They realize that it is not wise to entrust the adjustment of a building loss to a man that cannot determine the amount and kind of material and labor that would be required to duplicate the building burned, and we must admit this to be a logical view of the matter. It has been common practice to send special agents to adjust village and farm building losses, assuming that the title of "special agent" qualifies them to properly perform this duty, when as a matter of fact some of them could not tell a studding from a joist, or a plate from a rafter. They could only follow the old custom of employing the most convenient carpenter to make an estimate of the loss, or accept without question one the claimant had had prepared before his arrival. I do not believe a local carpenter was ever suspected of giving his neighbor the worst of it when making out a bill for him against the insurance company.

There are several excellent books on building losses, published in New York and other Eastern cities, but they do not commence at the beginning of the subject, nor do they comply with our local conditions. They tell us all about tonic columns, balusters and newell posts in Illinois and Ohio, but it is more to the purpose of our young special

agents to learn something about mud sills, studding and rafters in California.

What the adjuster may know of these things will serve him best in a village, and if you will accompany me to Farmerville, California, we will proceed to adjust the loss on John Smith's dwelling house that burned the "other day."

In the event of Mr. Smith having had an estimate of his loss prepared before our arrival, we will not accept it as representing the value of the building, because we have had no hand in its making. It will probably be to our advantage to decline to examine this estimate, requesting him to select some one who is qualified and in whom he has confidence to go through the items of loss with us. We will have to exercise some tact in doing this, in order to have smooth sailing. In most cases we would be safe in accepting the carpenter who had prepared the premature estimate, but another one would be better. Perhaps Mr. Smith is something of a "jack-carpenter" himself, and in that case is still better. Whoever it may be, we must carry him right through the estimate, agreeing with him upon every item as we go along. There is no lumber yard at Farmerville and we must get prices from the nearest one, five miles distant. We quote its prices in the estimate to follow. In this lumber yard will be carried all the material used in the construction of this house. We will use rough lumber, which is that just as it came from the sawmill. Surfaced lumber, which is that with one side planed. Finished lumber, or finished stock, as it is called, which has both sides and edges planed. We will also use tongue and grooved flooring and ceiling and rustic siding, which is too well known to need describing. Finished stock is sold by the linear foot; all other lumber is sold by the foot at so much per thousand, board measure. A foot of lumber, board measure, is 144 cubic inches, regardless of its shape. Dimension or framing lumber is that used for putting up the frame work of buildings and is two inches or more in thickness. For open market the saw mills cut dimension lumber only in even lengths, and that is the reason ordinary frame buildings are always found of even dimensions. It not only prevents waste, but saves labor as well, in hand sawing, to so construct them. To ascertain the number of feet in a piece of dimension lumber it must be reduced to board measure, and here let me caution you not to depend upon a lumber table; you might lose it just when you most need it, and aside from that it reflects upon your ability to compute a simple problem in mental arithmetic: 1-2x4-12 means 1 piece of lumber 2 inches thick, 4 inches wide and 12 feet long. How

many feet in this piece? Multiply the thickness by the width and divide by 12, thus: twice four are eight, 12 will go into 8 two-thirds times, so we have $\frac{2}{3}$ of a foot of lumber in every foot of length; or, making it more simple, in a 2x4 piece of lumber, the number of feet will be $\frac{2}{3}$ of its length. In this case we will have 8 feet. In 4x4 lumber add $\frac{1}{3}$ to its length: for instance, 1-4x4-14 add $\frac{1}{3}$ to 14; result $18\frac{2}{3}$. To find the number of feet of lumber in a wall, floor or ceiling multiply the length by the width. If it be of tongue and grooved or rustic add $\frac{1}{4}$ for laps and tongue and grooves.

We will now proceed with Mr. Smith's dwelling, which we find was built in May, 1901: main building was 22x42, no additions. There were five rooms and two closets, as follows: Parlor 12x12; front bedroom 10x12; dining room 12x16; rear bedroom 10x12; 2 closets each 4x5 and kitchen 14x22. Rustic siding. Ceiling throughout (that is all the ceilings) were finished in tongue and grooved redwood. Walls of kitchen the same. Walls of all other rooms and closets were boarded up with surfaced redwood and covered with cloth lining and paper. Floor throughout was of tongue and grooved sugar pine. Gable roof (that is, it came to a peak in the center) $\frac{1}{3}$ pitch and covered with sawed redwood shingles. There were 10 doors and 12 windows. A 10 foot brick flue was built on brackets from ceiling of kitchen. A five foot covered porch with hand rail extended across the front and twenty-one feet down the west side. We get all this information from Mr. Smith, verifying outside dimensions with our tape line, and now have it all jotted down in our loss book, with a ground plan of building traced on the opposite page. We learn that the house was built by the day's work, Smith himself lending a hand now and then, and Mrs. Smith spending what time she could spare from household duties, bossing the job. We know by this that we shall have to use all the material and labor called for by the rules. Had it been built by contract on the "hurrah-boys, hurry-up" plan we could figure most of our items 25% short and deduct $1\frac{1}{2}\%$ more per year for depreciation.

It will be noticed that Mr. Smith had a good floor, a good roof and a big kitchen. These are prominent features in all village and farm dwellings in California. All they ask of the walls is to keep out sun and rain and make a presentable appearance on the outside. The house was painted throughout with three coats. We have not asked Mr. Smith about the size of the dimension lumber, that being unnecessary. We know what usage calls for in this kind of a dwelling. Mud sills were 2x10 redwood, that being the best to withstand ground rot. Underpinning

was 4x4. Sills and stringers, 4x4. Floor joists, 2x6. Studding, sleepers and plates, 2x4. Ceiling joist, 3x4 and rafters, 2x4, all of No. 2 Oregon pine, the best and cheapest for the purpose.

Mud Sills—These were laid on the ground in shallow trenches made perfectly level to receive them, and extended all around the building and along the center from end to end, 170 running feet all told. As each foot in length contains $\frac{2}{3}$ feet of lumber, we add $\frac{2}{3}$ to 170 and find 284 feet of mud sills.

UNDERPINNING, 4x4.

These were 18 inches long and stood on the mud sills 4 feet apart from center to center; that is, one for every four feet. There were 3 rows of them, each 42 feet long, with 11 in each row.

To find the number of pieces of dimension lumber required, divide the space in feet to be occupied by the distance apart of pieces and add one for the other end. It will require 13 pins stuck an inch apart to make a row 12 inches long. Continuing with our underpinning—there were two more rows, one across each end, 5 pieces in each row—total pieces, 43. There being two feet of lumber in each piece, we find 86 feet in underpinning.

SILLS AND STRINGER, 4x4.

These were laid on top of and supported by the underpinning. That one along the center is called a stringer. In length they will duplicate the mud sills 170 feet and there being $1\frac{1}{3}$ feet of lumber in each running foot, add $\frac{1}{3}$ to 170—total, 227 feet of sills and stringer.

FLOOR JOISTS, 2x6.

These were laid on edge across the sills 1 foot apart from center to center. This row being 42 feet long, we have only to add 1 for the other end and have 43 pieces with 22 feet of lumber in each, making 946 in all.

SLEEPERS, 2x4.

These will duplicate the sills and are laid on top of the floor joists all around the building, 128 feet. There being $\frac{3}{4}$ of a foot of lumber in each foot of length, we have 86 feet of sleepers.

STUDDING, 2x4.

These were the uprights to which the siding was nailed and were 10 feet long. They stood on the sleepers, one for every two feet, all around the building and through the partition walls. Tracing this distance we find it to be 214 feet. Dividing this by 2 and adding 20 pieces, 2 for the

ends and 18 for the partition sills and plates, we have a total of 127 pieces. There being $6\frac{2}{3}$ feet of lumber in each piece—total studding is 947 feet.

PLATES, 2X4.

These were laid on top of the studding to support the ceiling joists and rafters. They will extend clear around the building just as the sleepers, and will duplicate them in length and number of feet, which is 86.

CEILING JOIST, 3X4.

These were laid across the building on top of the sideplates, one for every 2 feet. The row being 42 feet long, to find the number of pieces divide by 2 and add 1 for the other end—result, 22 pieces. There being 22 feet in each piece, total ceiling joist, 484 feet.

RAFTERS, 2X4.

These support the roof and are laid on each sideplate, 1 for every 2 feet, and slanted so as to come together at the top, forming an inverted V. They extend 10 inches over the plates, thus forming the eaves. Our roof was said to be $\frac{1}{3}$ pitch; that is, the distance from ceiling to roof peak is $\frac{1}{3}$ the span or width of the building. To be mathematically correct we would have to multiply the width of building by .006 and use a rafter 13 2-10 feet long, to have a roof exactly $\frac{1}{3}$ pitch, but in the California valleys they are not so particular about the angle of their roofs as to use a hand-saw to make odd lengths. They employ the simple rule of multiplying the span of a building by 2 and dividing that by 3, using the nearest even length to that result. In this case the result is $14\frac{2}{3}$, so our rafters were 14 feet long, and that is a California $\frac{1}{3}$ pitch.

To ascertain the number of rafters, proceed as with ceiling joist—divide length of building by 2 and add 1 for the other end—result, 22; but remember this is but one side of the roof, there being another just like it—total number of pieces will be 44.

As each piece contains $9\frac{1}{3}$ feet of lumber, total rafters will be 421 feet.

RAFTER BRACES AND ROOF BOARDS.

These were of common 6-inch boards. The rafter braces were nailed across below the peak to strengthen the rafters. There will be 22 pieces, each 10 feet long and each containing 5 feet of lumber.

Roof boards (or roof sheathing) were nailed across the rafters, extending about 1 foot over each end of building, and the shingles in turn nailed to these.

Roof boards cover $\frac{3}{4}$ of roof area. To ascertain roof area multiply length of rafter by length of building, plus 2 feet for extension—result, 616. Double this to provide for the other side. Total roof area, 1232 feet. Deduct $\frac{1}{4}$ —result, 924. Add 110 for rafter braces—result, 1034 feet rafter braces and roof boards.

SHINGLES.

It takes 10 shingles to cover 1 square foot and having just determined that our roof area is 1232 sq. feet, it will take 12,320 shingles to cover it. Waste and shortage will be about 5% and we will allow for 13,000 shingles.

FLOOR.

This is of tongue and grooved sugar pine, and to ascertain number of feet required, multiply length of building by width, and add $\frac{1}{4}$ for tongues and grooves—result, 1,155 feet.

CEILING AND WALLS.

Entire ceiling of all rooms and walls of kitchen were finished or ceiled with tongue and grooved redwood. For the ceiling we duplicate the floor, 1,155 feet.

Recalling that our studding was 10 feet long, raised 2 inches above the floor joists by the sleeper, and the ceiling being raised 2 inches above the top of studding by the plate, it is apparent that the distance from floor to ceiling in all rooms was 10 feet and 4 inches, and that is called "in the clear."

Returning to our kitchen walls we have two, $10\frac{1}{3}$ by 14 feet, and two $10\frac{1}{3}$ by 22 feet. This area with $\frac{1}{4}$ added we find to be 932, which together with 1,155 makes total redwood ceiling 2,087 feet.

The walls of remaining rooms including closets were boarded up with surfaced redwood and covered with cloth and paper.

Bear in mind that in dealing with inside finish we must provide for two sides in partition walls. By multiplying the length of each four walls in rooms and closets by $10\frac{1}{3}$, we find total area and feet of surfaced redwood to be 2,274. This also represents the area which we will have to cover with cloth and paper.

To ascertain number of single rolls of paper required to cover a surface, divide its area by 36. Our area being 2,274 feet, we find that 64 rolls will be needed.

Cloth lining is sold by the square yard, so reducing this area to yards by dividing it by 9, we find that 253 yards of cloth lining will be required. Add \$1.50 per room and \$1.00 for each closet for labor and other material.

RUSTIC SIDING.

Recalling that our studding was 10 feet long, underpinning, 18 inches and that plates, sleepers, sills and floor joist add still another 14 inches, we find the distance from plates to ground to be $12\frac{2}{3}$ feet. We then have to provide siding for two side walls, $12\frac{2}{3} \times 42$; two end ones, $12\frac{2}{3} \times 22$, and two gables with 22 feet base and 13 feet angle. To compute the area of a gable, multiply the base by half the angle, counting from plate to peaks; we then find area of siding to be 1908 feet, to which add $\frac{1}{4}$ for laps—result, 2,385 feet of rustic siding.

BRICK FLUE—10 FEET.

Being compelled to go some distance for material and labor, we will have to allow \$1.50 per foot, which is about double what it would cost in a large town or city.

DOORS AND WINDOWS.

The front door of this house cost \$10.00; all others, \$6.50 each. The windows cost \$7.00 each, labor and material complete.

FINISHED STOCK.

This, as its name indicates, is used for putting on the finishing touches and we may properly call it moulding. It is the product of a planing mill and may also be termed mill work. We will use it in various forms as follows: Base boards around all rooms and closets except kitchen. A strip along each side of roof peak, the same down each side of building corners from plate to ground. The roof extension all around was ceiled up and a water shed extended around the building at sills not occupied by the porch. Tracing this all out we find 734 feet.

NAILS.

It takes 30 lbs. of nails to put up a thousand feet of lumber and 5 lbs. for a thousand shingles. Count finished stock as lumber.

LABOR.

Carpenter work is probably higher in California than elsewhere on account of far-reaching labor unions, and in Farmersville it will cost \$13.00 per thousand feet to put up rough and surfaced lumber. For tongue and grooved, rustic and finished stock it will cost \$20 per thousand, the dif-

erence being accounted for in the extra care required to match tongues, grooves and laps.

PAINT.

It will cost 20 cents a square yard to paint the outside of this dwelling, and recalling that the outside wall area is 1,908 feet, that reduced to yards is 212. For inside work, doors and windows, count double, and as the entire interior of kitchen and porch, floor and rail must be painted, we may double the outside area and call it 425 yards, and be about right. This includes three coats, with labor and material.

PORCH, COVERED, AND HAND RAIL.

This extended across the front and 21 feet down the west side. Add 3 feet for each kitchen door landing, making 49 feet in all; this with steps will cost \$1.10 per foot, labor and material.

HAULING MATERIAL.

Remembering that Farmersville is five miles from the lumber yard, it will cost \$2.00 per thousand to haul the lumber. Count three thousand shingles as one thousand feet of lumber.

DEPRECIATION.

Tables of depreciation are misleading and not to be depended upon. A tailor-made wool suit of clothes will last longer than a shoddy "hand me down," and the same principle holds good with buildings. A dwelling such as we are dealing with will last 40 years with nominal repairs, and we will deduct $2\frac{1}{2}\%$ a year for depreciation. This is the only fair and practical view of the much discussed subject of depreciation.

NO DEDUCTION FOR DOORS AND WINDOWS.

Some of the old timers cling to the practice of deducting for doors and windows in estimating interior finish, such as lath and plaster, cloth and paper and tongue and grooved ceiling, but modern methods do not recognize this as practical. Material is wasted in cutting to fit around door and window frames and extra labor required to match it, so the logical view of the matter is to make no deduction for doors and windows.

All items are now accounted for and we have but to summarize them and make out statement of loss.

We give this an appropriate heading stating name of assured, date

of fire, number of policy, size and brief description of building, then proceed thus:

Mud sills 2x10 redwood					284
Underpinning 4x4 Ore. pine				86	
Sills and stringers 4x4 Ore. pine				227	
Floor joist 2x6 Ore. pine				946	
Sleepers 2x4 Ore. pine				86	
Studding 2x4 " "				947	
Plates 2x4 " "				86	
Ceiling joist 3x4 Ore. pine				484	
Rafters 2x4/ Ore. pine				421	
Rafter braces & roof boards, Ore. pine				1,034	
T. & G. Flooring, sugar pine			1,155		
T. & G. ceiling, redwood			2,087		
Rustic siding, redwood			2,485		
Finishing lumber		734			
Surfaced siding, redwood	2,274				
	<hr/> 2,274	<hr/> 734	<hr/> 5,727	<hr/> 4,317	<hr/> 284
284 ft. redwood sills, \$20.00				\$ 5.68	
4,317 rough Oregon pine, \$18.00				77.70	
5,727 T. & G. ceiling & rustic siding, \$35.00				200.44	
2,274 surfaced redwood siding, \$25.00				56.85	
13,000 shingles, \$2.25				29.25	
64 rolls of wall paper, .25				16.00	
253 yds. cloth lining, .05				12.65	
Labor in putting up cloth and lining				8.00	
10 ft. brick flue at \$1.50				15.00	
1 front door				10.00	
9 common doors at \$6.50				58.50	
12 windows at \$7.00				84.00	
465 lbs. nails at 4½c.				20.92	
734 ft. finishing lumber at 6c.				44.04	
Carpenter's work				231.50	
Hauling material				35.25	
49 ft. porch, landings and steps at \$1.10				53.90	
Painting 425 yds. at 20c.				85.00	
				<hr/> \$1,044.68	
Less 8¾% depreciation,				91.40	
Sound value and loss,				<hr/> \$ 953.28	

In conclusion just a few words about partial losses on buildings which are probably the most difficult of all to adjust. The same general rules as in total losses may be applied except for labor, and this item is governed by circumstances. In some cases it will cost as much to tear out the damaged lumber as to put in the new. It is often difficult to tell where the damaged leaves off and the good begins; then there is the objection of assured to a patched-up house, and finally, that estimate of loss prepared by a contractor at assured's request before our arrival. He has pitched the tune of his claim to that estimate which we may find represents almost, if not quite, the value of the building, while the only visible damage may be in the charred walls and roof of kitchen.

We must be sparing in our criticism of these figures, for he who made them probably belongs to the local "Builders Exchange" (which is a polite name for the most dictatorial union I know of) and I have known that institution to "sit up and take notice," much to the adjuster's discomfiture.

That premature estimate should always be ignored when possible and by exercising patience, tact and courtesy, together with our experience that comes day by day, we may hope to overcome all these difficulties. (Applause.)

The President—I am sure you will all agree with me that Mr. Sewell has given us a very practical Paper. It is one that should be in the possession of every special agent in the field. How often it occurs that a special is called upon to adjust a loss in an out of the way place. Just realize the embarrassing position in which he finds himself, for, under these conditions, he is not in a position to adjust the loss satisfactorily to himself, to the assured, or to his company. Furthermore, the average carpenter is not only careless, but indifferent, his indifference usually being in favor of the claimant. In this case, the special agent should be qualified to check over the figures. I am very glad, indeed, that this Paper has been presented to us, for the reason that it emphasizes the importance of a more thorough knowledge of the business, which is the question we now have under consideration. Institute work provides for plan drawing and building construction, as well as other courses of education relating to our business. I think we should have a general discussion on this valuable Paper.

Mr. Mayer—I admit freely, Mr. President, that building estimates are a hobby with me. I have studied, I think, almost all the books on the subject in the United States, a good many of those of Great Britain, and some of those of Germany. But I confess that, of all the books which I have read, there is not one of them as practical, as much to the point, and as sensible as the Paper just read by Mr. Sewell. Fifteen years ago I built myself a little home in Portland. The bids which I received called for from \$2,500 to over \$4,000. The conditions submitted to each one of the contractors were identical. Each one of these contractors would have been considered an expert before a court. I said to myself, upon receiving the bids with so much variation, "There must be something wrong in the method of making estimates, if the experts disagree nearly 100%." I find from Mr. Sewell's Paper that he is the first one I have met who figures the board measure in such a simple way. I have looked over books on arithmetic, but all examples given are so unpractical, and the methods so long to figure out, that we get tired of it before we start in. The example as given by Mr. Sewell is the simplest you can imagine, and the only correct one to follow.

The Secretary—Mr. President, Mr. Mayer has so fully covered the subject that I can add but little to what he has said. This whole meeting is pleasing me very much. We have had a most excellent Paper on the sprinkler system. Mr. Mayer's Paper on book losses was a splendid one, and I would have given a great deal, years ago, to have run across a Paper like Mr. Sewell's. Mr. Sewell's plan is practical; it is fair to the insured and to the companies. It is so simple that any special agent can take it and use it. It is a Paper that should be in the hands of every special agent. And while I, as the secretary of this Association, kick like a steer at spending money, I want to see this Paper published with that of Mr. Mayer's, the two to be incorporated into a little pamphlet or book that the special agents can carry with them. Of course, there is no one loss that is just like another, and Papers on subjects of this kind are really only for memorizers. But it is such a wonderful help in having these examples with you, and in following their methods.

Mr. Cunningham—Mr. President, if I may be permitted to make a suggestion in regard to this very complete Paper, I will say that, coming from the Northern field, as we do, while I have no doubt that Mr. Sewell covers very completely the grounds for a small building in California, there is one very important feature essential to a building in the Northwest, and if it is not presuming, as this is now about to be printed, I should say it would be wise to put in the cost of plastering the building. That would make a very full and complete description of how to build the ordinary small building. Without plastering, there is an omission. If you could say so much per square for plastering, almost any special could take that up and give the figures on either a papered or plastered house. If I may be permitted to suggest further, there are many houses built in the North in which they have what is called a felt or building paper. With just a little explanation as to how they put that on and what the cost will be, that will be another additional and valuable feature, and then the special agents in the Northwest could not say, "That is all right in California, but not for us." I would like to ask, therefore, that if it be printed, Mr. Sewell include the cost per square of plastering and of building paper. I am very much delighted with the Paper.

Mr. Mayer—Mr. President, I object. The plastering of a building will cost in one town 22c, and in another town 18c, and in still another town 25c. It depends upon circumstances. The special agent will have to find out how much it has cost, and if he cannot go to a town and find out how many square feet or square yards it takes to plaster a house, and then multiply that by 22 or 24 or 25, whatever it may be, he had better quit figuring on a building.

Mr. Cunningham—Notwithstanding the objection, Mr. President, I would like very much to have those matters included, and I believe Mr. Sewell will agree with me. You have a method for finding the number of yards and then find what the price is and apply it. My suggestion is merely in the direction of making the Paper complete and applicable to our section of the country. The price would vary for plastering just as

it would for lumber ; I have no doubt in the world that in some places the price of lumber will vary, but that is no reason why we should not have these figures.

Mr. Reed—Both my friends in the Northwest have left out one very important feature, and that is the question of laths and nails. That might be added.

Mr. Sexton—The part of the Paper that I heard seemed to have reference to the structure of an ordinary building out in the woods, built by a man who put up his own house and then charged us for a carpenter. I do not understand that the framework of Mr. Sewell's house was intended for a lathed and plastered house. When I came in Mr. Sewell was reading about a building with studding two feet apart and ceiling joists, I think, three feet apart. Am I right?

Mr. Sewell—Yes.

Mr. Sexton—That won't do for a lathed and plastered house. A lathed and plastered house must have studding a foot apart.

The Secretary—Sixteen inches center to center?

Mr. Sexton—Yes, 16 inches center to center, and then they charge us for studding a foot apart when we are figuring on the loss, and that pays for doubling at the corners and the windows and doors. But, as this does not fit the plastering, another Paper on a house to be plastered would be in order, unless the earlier part of the Paper, which I did not hear, provided for that. Another thing is that it is quite impossible to make up any Paper that will fit every class of building that we tackle, and the intention of the Paper, and of that kind of a Paper, is that a man shall start out by knowing how many feet of lumber there are in a board 11 inches wide, 12 feet long, and an inch thick. That is the starting point. Then he must know the dimensions of the building, as Mr. Sewell has given them, and then he must fit those figures to the class of building. If we were to figure for every kind of building, it would take in all those books that Mr. Mayer and the rest of us have

read and then we would have to adopt some plan of our own, and each adjuster who figures upon a building seems to have a plan of his own. For that reason it would be very difficult to put the calculations upon plastering into a building like the one Mr. Sewell had under consideration, notwithstanding the suggestion that has been made to that effect.

Mr. Andre—Many years ago, Mr. President, I started in to figure on buildings myself. I originally learned to do that when I was a local agent in Nevada. I realized the necessity of knowing how to do it. I was county clerk there, and had a deputy who did all the work while I drew the salary. The sheriff was a builder, and I got him to show me ; that is, in a measure, about it, so that I learned the rudiments of it. Afterwards I went on the road as a special, and I had occasion to adjust a loss in the San Joaquin Valley, and while I was busy on the contents, I asked the agent if he had a good builder there, and he said, " Yes, first-rate—several of them." I went into an appraisement, and found that the country carpenters made me pay about as much for repairing about half of the building as the building cost. Then I started to making my own estimates, and in a great many instances I have gone into an appraisal and been my own appraiser—got the agent to appoint me. I found that there was a whole lot that I did know and a whole lot that I did not know about it. And I would advise any young man to do as I did when I did not know a thing. I would start in with a building, and of course I knew all about the mudsill and the underpinning and the floorsill, and I would be liberal in my estimates of them and get the other fellow's confidence. When I came to some point I was in doubt about, I would light a cigar and say, " How about this ?" and get the other fellow to tell me. These gentlemen have spoken about the plastering and lathing. That is not all. There is the tin roof, and the corrugated iron roof, and all those different things. The fact is, if you know the number of feet, all you have to do is to find out the cost and resort to multiplication to get the results, and the cost can be found out anywhere. That is my experience.

Mr. Edwards—Mr. President, it is not so much in knowing all about the figuring of a building as it is in getting a few of the rudimental principles in your mind. Get those established, and then you can add for all of these deficiencies and differences that appear in Mr. Sewell's Paper. Mr. Sewell's Paper is the A B C of adjusting an insurance loss. You cannot introduce higher mathematics into your A B C's and digest both of them at the same time. But this is the foundation and the beginning. Any special agent with sufficient intelligence to represent his company can build upon that foundation and can prepare for almost any condition of affairs. But it is not so much, in my opinion, in knowing the rudimental principles and knowing how to do those things, as it is in going closely into the detail of the work, that tells. The majority of special agents, or many of them, at least, when they look at a building to see what is necessary, are in too big a hurry. They want to get away on the next train, and they do not go thoroughly into details of construction of the building. For an ordinary special agent to figure a building of that kind would require a day or a day and a half and maybe two days, before he can arrive at a conclusion. And the trouble has been with many of the specials, as indicated before, is that they lump things and jump at conclusions; they dab down a few figures, and then pay the loss on that basis. More money can be saved to the company by thoroughness in this thing than the agent's time would cost in doing thorough work. Again: You may settle a loss, and jump at a conclusion, and feel that you have done well. The assured starts in to rebuild the building, and he cannot put it up with the money. He is dissatisfied with the adjustment, dissatisfied with the company, dissatisfied with the special agent, and dissatisfied with the local agent. It hurts all around. Hence it is better to do the work thoroughly from the beginning, taking the A B C foundation and then building on it. Build thoroughly, and don't be in a hurry. (Applause.)

Mr. Gibbons—Is there a motion before the house regarding the printing of this Paper? I understood Mr. Meade to move that this Paper be printed and bound with Mr. Mayer's Paper.

The President—There is such a motion.

Mr. Gibbons—I would like to second that motion.

The motion was put by the Chair, and unanimously prevailed.

The President—The next Paper on our program is entitled "The Insurable Interest of a Bailee," by Mr. F. B. Kellam.

THE INSURABLE INTEREST OF A BAILEE.

F. B. KELLAM.

I am telling you nothing new, nothing that you have not heard and read many times before, when I say by way of introduction that the Fire Insurance Contract is one of indemnity only and by which the person named therein as the insured is protected from loss occasioned by fire to the property described in the contract. The indemnity does not extend to another person or interest unless the contract expressly so states and the New York Standard Form of policy, now so generally used, provides further that unless the insured's interest be that of sole and unconditional ownership such interest must be expressly stated therein. By far the larger number of fire insurance contracts are made with the owners of property for indemnity against loss to that property, but as we all know, there are many cases calling for fire insurance where this condition of ownership does not obtain, and it is to a class of such cases that I take the liberty of calling your attention for a few moments this afternoon, under the title of "The Insurable Interest of the Bailee."

Bailment is the legal relation which is constituted by the delivery of goods, without transference of ownership, on an agreement either expressed or implied that they be returned or accounted for; as for example, a consignment, a delivery to a carrier, a deposit for safe keeping or a pledge. Those to whom goods are so committed are bailees.

Fire insurance companies commonly come into contact with insurance on this class of property through the use of the so-called "commission clause" in policies covering stocks of merchandise and in connection with insurance effected by warehousemen on goods in their possession or by laundrymen on property of customers, and for the purposes of this discussion let us uniformly designate the custodians of such property as "bailees."

The question now arises as to how far the insurance policy extends in its protection of such property when the policy is issued to the bailee. There would seem to be no question but that where a person has the custody, care or possession of property for another, although he has no pecuniary interest therein and is not responsible for its safe keeping, he may insure it in his own name for the benefit of the owners and the insurance will inure to the benefit of the owner of the property upon a subsequent adoption of the insurance, even after a loss has occurred. This right is based upon the fact that having the possession of the property exclusively as to all but the owner, such custodian has the right to protect it from loss so that it or its value may be rendered to the owner when he calls for his own. This theory is in line with an enactment of our own Civil Code, Section 2548:

“A carrier or depositary of any kind has an insurable interest in a thing held by him as such, to the extent of its value.”

At first glance it would appear that in such cases we were going beyond the theory of personal indemnity which is the basis of the insurance contract, since the insured may have little if any interest in the property and may suffer no pecuniary loss by its destruction. We can, however, bring such cases into agreement with the theory by looking upon the nominal insured as an agent effecting insurance for his principal who may ratify his act by adopting the insurance contract and collect accordingly.

It is essential, however, that it should appear that the owner was the person intended to be benefitted by the insurance when the contract was made, but it is not essential that such intention at the time of entering into the contract should fasten upon the very person who when the contract matures seeks to take the benefit of it, but it is enough if the intention was to effect it for any person who during the existence of the policy and custody, care or possession of the nominal assured should have a legal title to the property. For example, the owner of goods intrusted to a bailee and insured in the bailee's name might sell them to a third party—the change in ownership would not affect the right of the bailee to recover from the insurance company. The phrase “held in trust” or “on commission” and kindred terms in a policy to a bailee have been held as sufficient notice to the insurance company that a person other than the insured named in the policy is to receive the benefit of the insurance. It has also been held that such terms give the right to the actual owner to take the place of the insured named in the policy in so far as such owner's property is concerned and to adopt the

contract and enforce it either in his own name or in that of his agent, and the actual owner may sustain suit under the policy in his own name.

One thing seems clear, however; and that is that there must be an adoption of the insurance by the actual owner of the property in order to make it apply to his property but the adoption may be made before or after a fire.

Let us go one step farther in our consideration of a policy form embracing the "commission clause." Generally speaking, a bailee (unless he be a common carrier) is not responsible for loss by fire to property of other parties in his possession unless the loss arises from his own negligence; nevertheless, in the absence of any clause in the policy limiting the claim thereunder to such negligence,—in other words under a policy containing the ordinary unrestricted "held in trust or on commission or sold but not delivered," a bailee may recover from the insurance company the entire amount of any loss, holding all beyond his own interest as a trustee or for the benefit of the actual owners. If the bailee be a warehouseman issuing receipts expressly disclaiming liability for loss by fire, such disclaimer will not serve to release the insurance company and in the absence from the policy of any clause limiting the insurance company's liability the warehouseman may, as in the previous instance, recover the entire value or loss, holding the excess over his own interest for the benefit of the owner.

In the matter of a limiting clause in the policy it is interesting to note that in the case of a policy issued to a bailee, where the printed conditions limited the liability of the insurance company to an amount "not exceeding the interest of the assured," it was decided that this does not of necessity nor by arbitrary rule of construction apply to a personal or pecuniary interest, but that the interest of the assured was equal to the entire value of the property. This decision in an Iowa court, it will be noted, is in line with the California Code provision previously quoted. In such cases the courts evidently take the view of May, who says :

"Pledgees, innkeepers, factors, wharfingers, pawnbrokers, warehousemen and generally persons charged, either specially by law or by custom or by contract, with the duty of caring for and protecting property in behalf of others or having a right so to protect such property, though not bound thereto by law, or who will receive benefit from the continued existence of the property whether they have or have not any title, lien or possession of it, have an insurable interest. Indeed, the law

has gone very near to holding a lawful possession to be an adequate interest to support the contract."

Having arrived at this point the question of double insurance intrudes itself and the effect of a policy taken out by the actual owner. Should specific insurance have been taken out by an owner on property also covered by a policy issued to a bailee, all policies must be taken into consideration in apportioning any loss and the bailee's general policy must contribute with the specific policy according to the customary rules for apportioning losses under non-concurrent policies, unless such contribution is expressly accepted by the terms of the policies. This, of course, only applies where the actual owner (either before or after the loss) has adopted the insurance supposed to be carried for his benefit by the bailee, but in the absence of any such adoption it does not seem that the insurance under the specific policies could force contribution from the general policies.

There is, therefore, an element of uncertainty as to the exact extent of the covering of such a general policy which is brought about by this feature of adoption and aside from the question of contribution the difficulties in the way of a proper application of the coinsurance clause, should there happen to be one on the policy, will immediately suggest themselves to you. I doubt not the thought will also suggest itself to you that too much care cannot be exercised in drawing up such contracts in order that they may fairly express the intention of all parties concerned, both as to the extent of the covering and as to the contribution in case of loss.

So far we have been dealing with insurance taken out on the bailee's insurable *interest* and which the law looks upon as equal to the value of the property. Let us now examine briefly some of the phases of insurance taken out on the bailee's *liability* and where in place of the ordinary "commission clause" the policy contains some such phrase as "on his liability as warehouseman" or "on his liability as common carrier." It is almost unnecessary to state that with such a clause in the policy the insurance company is not liable for loss unless the bailee is so liable, and it is incumbent upon us, therefore, to ascertain what the liability of the bailee includes.

The liability of a bailee is largely based upon the character of the bailment; for example, where there is no definite contract and the bailment is gratuitous, ordinary care of the property is all that could be required and the bailee is not expected to exercise any special diligence. In other words, gross negligence would have to be established in order

to make the bailee liable for loss. Where, however, the bailee is compensated for the care of the goods a greater responsibility attaches, although the line is not very clearly drawn as between the two cases. A bailee for hire will be held liable for damage by fire to property in his possession if it appears that he has not exercised due diligence, but as Ostrander says, "if he acts in respect to the goods in his custody as a prudent person usually does in caring for his own property he will not be charged with the loss." In California, our Civil Code steps in again and emphasizes the common law :

"No warehouseman, person or persons, doing a general storage business shall be responsible for any loss or damage to property by fire while in his or her custody, provided reasonable care and vigilance be exercised to protect and preserve the same."

Should the bailee be a warehouseman and go so far as to issue a receipt expressly assuming liability for loss by fire the insurance company could not be charged with the loss under a policy covering merely the liability of a warehouseman for the bailee's liability in such a case would not be that of a warehouseman, but that of an insurer.

We meet with a decided variation, however, when we come to consider the case of the bailee as a common carrier, for unless modified by a special contract, such as a bill of lading, the liability of a common carrier might be said to be almost unlimited. From very early times common carriers have by common law been made responsible for, and insurers of, the safe delivery of goods intrusted to them, but this responsibility may be modified by mutual consent and, as a matter of fact, is almost invariably so modified by the use of a bill of lading disclaiming certain liability and reading in part as follows :

"No carrier or party in possession of any of the property described in this bill of lading shall be liable for any loss thereof or damage thereto, from causes beyond its control, or by floods, fire, etc., etc."

The courts sustain the validity of these stipulations limiting the common carrier's liability, but at the same time do not permit the limitation to extend to a point where the carrier would be relieved from liability for loss by fire occasioned by his own negligence or that of his employees. It therefore comes about that except in those rare instances where the property is not covered by the customary form of bill of lading the carrier, like the warehouseman, is liable only in cases of negligence. There is, however, a distinct difference between the two and it might be broadly stated about as follows : In the case of the carrier the burden of proof would be upon him to show that the loss or damage was not

occasioned by his negligence, while in the case of the warehouseman the burden of proof would be upon the owner of the property to show that the loss or damage was caused by the warehouseman's negligence.

In further reference to the carrier's liability it must be noted that after goods arrive at their destination and after notice of their arrival has been given the consignee and a reasonable time has been given for their removal, the carrier ceases to be liable as such for goods left in his possession, but is then liable only in the same way that a warehouseman is liable. As to what constitutes a reasonable time for the removal of the goods the bill of lading generally in use fixes it at twenty-four hours, and this period has been adopted by the courts in several states as fulfilling the requirements of a reasonable time.

To recapitulate: 1st, the liability of the bailee without compensation is merely that of gross negligence; 2nd, the liability of the bailee for hire (or warehouseman) is that of negligence or lack of ordinary care with the burden of proof on the owner of the property; 3rd, the liability of the common carrier under the customary form of bill of lading is that of negligence or lack of ordinary care with the burden of proof on the carrier, with the exception that where the property has been in the carrier's possession more than twenty-four hours after notice of its arrival has been given the consignee, the carrier's liability is the same as the warehouseman's; and 4th, the liability of the common carrier, in those rare cases where the property is not covered by a bill of lading containing the disclaimer clause quoted, is practically unlimited.

Negligence, then, is the prominent factor in connection with losses under policies of this class, and we must not overlook the fact that in the case of the common carrier the courts go a long way in adjudging him negligent unless he can clearly show that he was not. As previously stated, the burden of proof is on him. In our own State we have a celebrated case where the carrier stored the goods in a public warehouse after arrival, but failed to serve notice on the consignee. The bill of lading contained the ordinary disclaimer clause as against loss by fire. The warehouse burned from some unknown cause, and while the carrier did not own the warehouse or have anything to do with it, the court held in effect that since he could not prove the actual cause of the fire, the loss to the consignee must be considered as due to his negligence. It must also be borne in mind that where the liability is fully insured the bailee might not, under some easily imagined conditions, consider himself called upon for any great exertion towards disproving his own negligence, and there are several prominent cases on record

where bailees sued and recovered from their insurers by setting up their own negligence as the cause of the fires occasioning the losses.

This is an extreme view, and in most instances I have no doubt that good faith, which is the basis of all business transactions, will secure an equitable adjustment of such cases entirely on their merit and with fairness to both parties.

Even with this extreme view in mind, however, it must be admitted that the exposure and conflagration hazards are pretty well eliminated from insurance on a bailee's liability. It is difficult to imagine many instances where a bailee could be held negligent and liable for loss to goods in his possession by reason of fires originating on exposing premises and involving his property. Especially would this be true in the case of fires originating at a considerable distance; as, for example, where the bailee's premises are involved in the spread of a general conflagration. It ought not to be difficult to prove that the bailee was not negligent under such conditions.

While we may, therefore, feel comparatively secure from the exposure hazard when writing insurance on the liability of a bailee, it would by no means be safe to assume that as the result of one fire a company would not pay losses under such policies and under ordinary policies covering on or in an exposing building. To illustrate: A fire might start in the warehouse of a common carrier who, upon failure to prove the fire was not due to his negligence, would be liable for loss to goods held by him as carrier, the burden of proof being upon him, and his insurers would in turn be liable. But the carrier's liability for loss to such goods would not necessarily mean that he was liable for other consequences of the same fire, for should the fire spread to adjacent property, its owners and their insurers would have only that right of recovery against the carrier which they have against any negligent neighbor. A company writing both risks might therefore be called upon to pay for both where the fire originated on the premises of the carrier, but for only one where the fire originated in the exposing risk.

Let us take up one more idea which has suggested itself and I am through.

We have examined the probable effect upon insurance on the bailee's *interest* when other insurance is taken out by the owner. What will be the effect upon insurance covering the bailee's *liability* where insurance is taken out by the owner? Double insurance would not result in such case, since the two sets of policies would cover different interests. If the bailee was not liable the entire loss would fall on the owners and

their insurers, and if the bailee was liable the entire loss would fall on the bailee and his insurers. In the latter case the owners would probably first recover from their insurers, subrogating their rights against the bailee. The owner's insurers would then recover from the bailee who would, in turn, recover from the insurers of his liability.

The foregoing represents, in a rather broad way, various phases of the law on this subject. The views expressed are very general, and special statutes which have been enacted in several of the States would undoubtedly modify some of them.

The preparation of the Paper has been extremely interesting to me, and if the recital has proven of interest to you my aim will have been accomplished. (Applause.)

The President—Mr. Kellam's Paper is an invaluable one, and on an original subject; a subject that I do not believe has ever been treated on in this Association. Discussion is now invited.

Mr. Mayer—If no one else is to speak, Mr. President, I will say a few words. This is a very excellent Paper, and the more so because it is written in plain, practical English, without technicalities. I said yesterday that our President kept his eyes wide open for the program and the Papers to be read, and I only want to add in this case, he need not have closed his eyes at all when it came to the reading; he could certainly keep them wide open.

The President—Mr. Sexton, have you anything to suggest on the subject of this Paper?

Mr. Sexton—As Mr. Mayer has spoken, I seem naturally to come in next. I must agree with Mr. Mayer—I can't help it this time. But I might go a little further. This is one of the most important Papers we have had, because it defines the difference between a policy written on the liability of a bailee and a policy written on goods in his possession with the trust and commission clause in it—two different factors in the way of insurance, and it is at this time coming home to us, for the reason that when the railroads in this Western country were built by Government grants, the grants covered 50 feet on each side of the road. That was found to be an error, and it was extended to 100 feet on each side

of the road. That was again found to be an error, and it has been extended to either 200 or 400 feet on each side of the road—I don't know whether it is 200 or 400. With this right of way, the railroad people control all of the places where warehouses could be built. Then the roads that were not built on Government subsidies, in getting rights of way, took everything they could get, and looked out to see that no private party had an opportunity to put any kind of a building near their railroad. Following this, the railroad people, when they lease a part of the right of way for a warehouse, force the warehouseman to agree that he will not collect anything from them for, but that he will also waive his right to damages arising from fires caused from sparks from locomotives of the railroad company, or otherwise by the negligence of the company. That contract cuts us out of any subrogation on the warehouse, and consequently we cannot go after the company as we did once. Further than that, they have insisted upon the warehouseman assuming liability for any property burned in the warehouse. Originally, when John Smith's grain was burned, we paid John Smith, and collected from the railroad company. We outsiders, we who did not have a contract direct with the warehouseman assuming his liability, could collect from the railroad company for the loss paid to John Smith, the railroad company would collect from the warehouseman, and the warehouseman would collect from the company that insured his liability. For this reason, this question of insuring the liability of a bailee and insuring property held in trust or on commission by him, seems to be two different questions. The Paper of Mr. Kellam is a starting point for policywriters, if not for adjusters. The fact is, if policy writers were more careful, there would be less trouble for the adjuster. It is for the underwriter to read up and be careful how he makes his contracts and not put in the word "liability" where he did not intend to.

The President—Will you add something to the discussion, Mr. Folger?

Mr. Folger—No, Mr. President, except that a Paper of that kind, although so simply and clearly expressed, is very much more valuable

if one may take it and read it in quiet after the meeting. I do not think it commends itself to a free discussion. I anticipate much pleasure from its reading.

Mr. Watt—I might add just one word to this discussion, as this is a matter that has been before us a great many times. There is always an attempt on the part of the bailee, or the warehouseman, or the common carrier, to convince the companies that there is no liability practically under such policies; that is, that the chance of a warehouse property being destroyed by their carelessness or by lack of ordinary precautions is so small that there is practically no liability to the companies. But we have always been under the impression that, after the fire occurred, we would find some reason why they were liable and responsible for the fire, and Mr. Kellam in his Paper has tried to set forth the whole subject as it has been determined in the courts. I think that if we read this Paper over afterwards, we will find that his conclusions as to the exact legal liability and legal status of all these contracts can be relied upon. It is a more valuable Paper, I will admit, for the office than it is for the field men, because they rarely come in contact with contracts of this kind, except perhaps for furniture storage warehouses and a few risks of that kind over the country. But there are many of these contracts coming up which are generally wide in their scope and cover many questions, and it is a very good thing indeed to familiarize ourselves with the actual liability assumed.

A recess was here taken until 2 o'clock p. m.



AFTERNOON SESSION.

President Fuller called the meeting to order at 2 o'clock p. m.

The President—At our Annual Meeting last year, there were certain changes made in the Constitution of the Association. Articles IV and X were amended, and a new Article to be numbered XII, was created. Notices were sent out in accordance with the requirements, and a vote taken, with the result that each of the amendments carried. It is necessary, however, to approve these actions in order to render them constitutional. I will therefore ask the Secretary to read each of the amendments, and we will then pass upon them.

The Secretary—The first is Article IV, relating to Executive Committee. It reads :

ARTICLE IV.

EXECUTIVE COMMITTEE.

So much of Article IV as relates to the Executive Committee amended to read as follows :

Also an Executive Committee which shall consist of five (5) members of the Association, to-wit: The retiring President, the incoming President, and three (3) other members of the Association (who are not members of other committees), who shall be elected by ballot at the regular Annual Meeting of the Association, and shall hold office until their successors are duly elected.'

The vote as received by mail upon that amendment was 137 in the affirmative and 7 in the negative.

The President—Gentlemen, you have heard the amendment read. What is your pleasure?

Mr. Lowden—I move the adoption of the amendment.

The motion was duly seconded, and unanimously carried by a viva voce vote.

Mr. Lowden—I would like to inquire whether a constitutional amendment can be legally passed in that manner; whether it is not necessary that a vote should be taken by division.

The President—If there is no objection, it may be taken by a viva voce vote. The Secretary will now read the proposed amendment to Article X on the subject of Meetings.

The Secretary—It reads as follows :

ARTICLE X.

MEETINGS.

Amended to read as follows :

The Annual Meetings shall be held on Tuesday of the second week in January in each year.

Regular quarterly meetings may be held on the third Tuesday in the months of April, July and October in each year, at an hour to be designated by the President.

Special meetings shall be called at any time by the President at the written request of any three members.

Upon that amendment the affirmative vote was 133 and the negative vote 10.

The President—Gentlemen, you have heard the reading of the proposed amendment to Article X. What is your pleasure?

Mr. Folger—I move its adoption, Mr. President.

The Secretary—I second the motion.

The motion passed unanimously.

The President—We will now listen to the reading of the proposed new Article, XII.

The Secretary—Article XII reads as follows :

ASSOCIATE MEMBERS.

A new Article, to be known as Article XII, shall be added.

A person employed as a clerk in any of the various insurance offices within the jurisdiction of the Fire Underwriters' Association of the Pacific shall be eligible as an Associate Member. Such person or per-

sons shall have the privileges of the Library of the Association, and each shall have, free, a copy of the Annual Proceedings, published following their election.

The name of the proposed candidate and of the company with which he is connected shall be sent in writing to the Secretary, who shall cause the same to be posted in a conspicuous place in the rooms of the Library of the Association for the term of two (2) weeks.

The Annual Dues for an Associate Member shall be two dollars and one-half (\$2.50), payable in advance.

The vote on that was, 113 in the affirmative, and 21 in the negative, with ten votes for modification.

The President—Gentlemen, you have heard read the proposed new article. What is your pleasure?

Mr. Thornton—I move its adoption.

The motion was duly seconded and unanimously prevailed.

Mr. Gibbons—Mr. President, we have received considerable assistance from the faculty of the University of California and its insurance department. Would it not be proper to include in the amendment just passed, students at Berkeley in that course, as Associate Members?

The President—Such course cannot be taken at this time, but it will require special treatment.

Mr. Gibbons—Could it not be changed?

The President—A resolution should be offered to-day so that it may be acted upon at the next Annual Meeting.

Mr. Lowden—Could it not be taken up at the Quarterly Meeting? There are certain Quarterly Meetings provided for, and if a resolution is passed at this meeting, it could be taken up at the first Quarterly Meeting, which would not necessitate waiting a year.

The President—That is certainly a good suggestion. There is no reason why we should put off this important question for a full year, because we want the co-operation of these young men. If Mr. Gibbons will formulate a resolution, it can be introduced to-day and acted upon at the Quarterly Meeting in April. I shall be heartily in favor of it.

Have you anything else, Mr. Secretary, before we proceed with the program?

The Secretary—Mr. President, in continuation of the subject-matter of the new constitutional amendments, I have before me the applications of twenty-seven young men to become Associate Members of this Association.

APPLICATION FOR ASSOCIATE MEMBERSHIP.

SAN FRANCISCO, CAL., Jan. 10th, 1905.

I desire to become an Associate Member of the Fire Underwriters' Association of the Pacific, and if elected, will conform to the Constitution and By-Laws of the same: A. N. Daniels, Harvey T. Chase, G. S. Mariner, Wilson Bishop, L. W. Barrett, Andrew R. Muir, E. Kenneth Lowden, H. F. Mills, Charles Barsotti, A. E. Burton, C. Conley, H. F. Vanderlip, C. H. Stanbridge, F. M. Magill, F. G. Thomas, Chas. C. Dobie, Roy O. Yates, G. E. Oxley, Albert M. Lester, William H. Hackett, R. S. Folger, Geo. W. Ludlow, Fred C. Pattison, John McAnderson, George H. Banner, W. F. Hougaard, C. W. Wilkinson.

Mr. Folger—Mr. President, this seems to be quite a representative list of young men. It does not include men from all the offices, but it does include a good many of the leading offices, and many of the young men are known to us and are, eminently, the right kind of material to get into the Association. I move, therefore, that the rules be suspended and that each one whose name has been read be now regularly elected an Associate Member of this Association.

The motion was duly seconded and passed unanimously.

The President—We will now take up the program of the afternoon. We will first listen to a Paper by Mr. Guy Francis, upon "The Use of Co-Insurance." The Paper will be read by Mr. R. C. Medcraft.

Mr. Medcraft—Gentlemen: Mr. Francis has a bad sore throat, and is consequently unable to read his own Paper, so he asked me to do it, in order that the Paper should be presented in regular time. You will pardon me if I do not read it as freely as if I were reading my own Paper.

THE USE OF CO-INSURANCE.

GUY FRANCIS.

The goal of the insurer is a lower ratio of loss and expense and the dominating thought of the assured is a lower rate. As a means of reconciliation the underwriter tenders the co-insurance clause.

It is not new and yet the property owner does not quite understand it, and more readily comprehending the old and tried forms most prevalent, usually puts it aside as an uncertain quantity. And though we have been offering it to the people for several decades, this condition of unpopularity remains. Occasionally, however, converts are drawn to its use through the alluring rate, with somewhat vague impressions of its real purport, until the time of loss, when differences arise regarding values through appreciation and variation of estimates, not first contemplated. Then the salvage becomes a bone of contention, leaving a false yet unsatisfactory impression in the mind of the claimant even though it may not pass to court. It occasionally culminates in adverse legislation, as evidenced by the statutory prohibition of its use in several of our States. Certainly it has not won its way into the main army of property owners, to whom we must look for the bulk of our premiums.

On the side of the insurer conditions are reversed. The clause presents an ideal form of contract, its use inviting a prospective profit, simplifying forms and problems of apportionment, and finally imposing an equitable insurance charge upon the people, proving its worth to the underwriter. For reasons such as these, a lower rate is offered in the hope that a channel may be found leading toward Utopian indemnity. The slow progress made leads us to question whether any material advance will be had until the means shall have been devised to bring the assured and insurer closer together on a broader basis.

Dissecting the insurer's side, we find that with correct application of the principle of co-insurance, we have a lower ratio of loss and, even where the rate has been sufficiently reduced to make no appreciable reduction in this direction, it bears effectively on the fixed expense, and this condition appears to open a more plausible way for solving the cost of operating, than any one factor hitherto advanced, confronted as we are by excessive competition and expensive methods, necessary to produce and handle the business.

EXPENSES.

The expense ratio problem which everywhere seriously engages the managerial mind, the race for business and the heavy operating tax

attending it, concern us all, and a course consistent with conservative practices that will serve to ease or lessen the tension, would appear to be worth the effort.

So we turn to co-insurance and find it may serve us. Beginning with the agent, who, having become sufficiently familiar with his subject to offer it intelligently, we find he is receiving better pay for the same effort. The special agent sees that the income from his field is increasing while the outgo as the result of his labor, is no greater. The company finds that its income is augmented with no higher charge for office expenses (such as salaries, rent, light, heat, postage, telegrams, stationery, supplies, maps and other incidentals) though still caring for as many reports or applications bearing the co-insurance clause and an increased amount and premium, as are now cared for without it. The advantage continues in the office of the Underwriters' Board where the business is passed, with an increased premium and attended with no increased expense, thereby reducing the pro rata charge against each contributor. This applies with special force to the Pacific field, where the outgo is necessarily higher than in the more densely populated East and Middle West territory, at least so far as appertains to outside work.

FULL CO-INSURANCE.

Full co-insurance simplifies the contract; it permits blanket insurance on buildings and their contents, and fairly apportions the loss without recourse to complex rules. From the company's side of the case, its proper application would relieve much of the burden now borne, if the public could be educated to its general use and a means could be devised to make it popular rather than exclusive.

In this direction every risk under ample fire protection that can be shown to be carrying an insufficient amount of insurance to value, should be included and made subject to its benefits, whether it be a school or a saw mill, as the limitation to selected mercantiles alone, in the larger cities, will not induce the volume of premium necessary to cut sharply into the ratio of loss or expense. There appears to be no potent reason for declining high percentage co-insurance on all good grade dwellings, schools, churches, public buildings and even manufacturing risks under acceptable fire protection, when it can be shown that the class as a whole to which each belongs is carrying insufficient insurance. If the measure is a good one, its application to a much larger number of risks is important, but we should use such precautions as may be deemed necessary to check an increase in the moral hazard, and as one means to

this end, gather full information in the application before assuming the risk.

RESTRICTIVE FORMS.

It is the opinion of many well informed underwriters that restrictive forms, such as the three-quarter loss or value clauses, never make a good moral risk out of a bad one ; when the business reaches a crucial financial state we may depend upon a given number of incendiary fires even when the three-quarter limit is in the policy.

The great mass of our people insure from honest purpose and their contribution of increased premium through co-insurance at a lower rate puts the community on a sounder financial foundation, the heretofore uninsured losses being then equally borne by the many and not by the unfortunate few, as we now frequently find.

The percentage credits should be applied with proper discrimination for differences in protection, the towns being grouped into classes. Those affording the maximum general probability of partial loss should be allowed the heavier credit for co-insurance, with due allowance for concessions already made in special rates.

BUILDINGS AND CONTENTS.

Buildings should be treated with closer reference to their interiors, the nearly fire-proof structures taking a higher allowance than the frame building with a brick exterior. The lower credit for co-insurance on contents of mercantile buildings has heretofore been applied, but the character of the contents appears to require closer consideration. Those "less susceptible" to the ravages of fire, smoke or water, are surely entitled to a greater allowance than is made on millinery, tobacco, hops and kindred commodities. Any underwriter would select a good line on heavy machinery in the hope of a substantial salvage in case of loss, hardly looked for in more easily perishable goods, and it would appear that this difference should be allowed for in co-insurance credits. The slight variations now made in special rates on certain classes of stock would appear to be of lesser importance than this.

We have certain mercantile risks in the larger cities already bearing a heavy percentage of insurance to value, such as wholesale drug houses. The owners realize the danger of the risk and protect themselves accordingly ; property so insured, before the advent of co-insurance, would prove even more burdensome after its application at the lower rate, which would simply serve to lower the total premium. Instances of this kind have occurred but recently in the application of co-insurance credits

as now formulated, in some cases actually increasing the amount of insurance without any additional pay for the extra indemnity. This however will occur at times, even though it be found beneficial to make the allowance on a class as a whole.

If round estimates of insurable values in the better towns develop a smaller percentage of insurance actually carried, than is usual, even a greater co-insurance allowance may be made than is generally permissible, all other conditions being equal.

MATERIAL FOR THE AGENTS.

Turning to our agents, they appear to lack the means necessary in cultivating the insuring public to a more frequent use of co-insurance, and, therefore, material must be furnished them for educating themselves in the value and importance of it, before our mutual interests can be materially advanced.

We should furnish carefully drawn explanatory Papers, devised to school the lay mind, plainly setting forth the benefits of the clause in the line of rates and forms; the mode of applying it and defining its effect upon the contract, with illustrations. Copies of these should be placed with our representatives in all towns where co-insurance would operate to advantage, each agent being supplied with a sufficient number for distribution among property owners.

Continental Europeans have become familiar with the subject, as the clause forms part of their general policy conditions. The successful New England Mutuels think well enough of it to appraise in advance and apply 90% of insurance to value.

MORAL HAZARD.

The clause does not appear to have increased the moral risk where thus far applied, but then it must be taken into consideration that its use has been largely confined to merchants bearing a substantial commercial rating. It remains to be seen whether the growth of co-insurance would tend to tempt the small property owner. The interruption of business, loss of trade, inconvenience and annoyance of a loss serve, in a measure, as a check, aside from any tendency to carelessness that might arise as a result of full insurance and a prospect of minimum loss to the owner. Moore in his latest work says:

“And the great problem of our business in the future will be two-fold, to make sure of a premium for 100% of the value of the property insured, and to make sure of 100% of the honesty of its owner.”

Quoting again from the same authority on the question of stock insurance we have :

"I believe the so-called three-quarter loss clause is grossly overestimated ; indeed, I doubt if it has ever prevented a fire. . . . I have reached my conclusions after careful study of the losses of my company through a long series of years, and after the tabulation of the actual figures from the reports of adjusters made on the ground at the time of investigating each fire."

The conclusions of one having recourse to records including a great many losses covering a long period of years, should have weight in considering how far we may safely apply a measure that shifts the risk from the assured to the insurer.

NINETY PER CENT. CLAUSE.

Those who fear full co-insurance might find a solution in a 90% clause bearing the following additional provision, viz. :

"In consideration of a further reduction in the rate, the assured agrees to assume 10% of any loss sustained to the property covered by this policy."

This would affect all except total losses and afford some degree of protection to the insurer not usual in current forms, without saddling any unreasonable burden on the assured. For this form of policy a lesser rate would be permissible.

APPRAISALS.

We have tried appraisals as a measure of value in advance of the loss, allowing the figures to stand from year to year in the face of fluctuations in the price of material and labor, with a resultant unsatisfactory condition of affairs at the time of the adjustment. We can scarcely expect one estimate to stand indefinitely ; it would seem better to accept the assured's estimate, securing new figures each year and deducting such depreciation as may seem prudent at the time. The agent should be informed that a reasonable deduction will be made in the assured's estimate for age and wear, and that the net results will be used as a basis in applying co-insurance ; and until he has become better acquainted with the subject, it would seem best to require an application giving, among other data, the estimated value of the property, which, if deemed reliable, may be depreciated sufficiently to bring the figures within the meaning of the words "Cash market value," as prescribed in the policy ; the net result would be used as a basis each

year for co-insurance, the applicant having previously elected the percentage of insurance to value desired. He is then credited with the reduction in rate prescribed by the Board, and a policy is issued bearing the following rider, which the writer submits for consideration, on buildings, machinery and other contents not subject to wide fluctuations in value:

SUGGESTED RIDER.

"In consideration of the reduced rate at which this policy is written—The liability of this company shall not exceed such proportion of the whole insurance in force at the time of any fire, as the amount of this policy bears to \$———, which sum of insurance the assured agrees to maintain upon the property described above, and failing so to do, bears the deficit. And in case of loss, the aggregate insurance shall be apportioned to each subject, in such proportion as the value of each subject named above, bears to the value of all subjects covered by this and all contributing policies."

It has been claimed that in issuing a form bearing a fixed sum as a basis for co-insurance, agents in competition will aim to secure from the assured estimates below real values, thereby raising the percentage of insurance to value without increasing the indemnity, and so obtain rate concessions and the control of business.

It is doubtful, however, whether any large proportion of the insured would be willing to materially reduce the correct figures for a small saving, against the additional protection which is offered by the payment of a relatively small additional premium. Furthermore, an applicant may be required to furnish nearly exact figures, in an application for co-insurance, and the policy may be made contingent on its approximate correctness by bearing a clause reading somewhat as follows:

"Reference is hereby made to the insured's application which forms a part of this policy and is the basis on which this insurance is predicated."

In the face of this it is unlikely that many property owners honestly desiring protection would enter into collusion with the agent and make a misstatement of facts for the simple purpose of obtaining a cheaper rate. Few would care to chance the disclosure of real conditions that would develop in case of loss.

To those who have helped to make the theories and practices of co-insurance, and feel that these few suggestions offer nothing more than a simple reiteration of points so generally understood, the writer offers, in extenuation of the offense, this plea: These statements with

their flaws and discrepancies, by their very repetition, may induce some one to develop something somewhere, that may lead to a more acceptable solution of this problem than has been developed by the use of co-insurance up to the present time—and if they do, let us be busy with it. (Applause.)

The President—It is generally conceded, I believe, that co-insurance is one of the most important subjects which we now have under consideration. It is a question of bringing our business down to a more equitable basis. I am sure this Paper furnishes food for discussion.

Mr. Lowden—I do not think, Mr. President, there is much to be said upon the subject that has not been covered by Mr. Francis's Paper. I have given the matter of co-insurance considerable attention as a member of the Executive Committee. We have always opposed what Mr. Francis seems to advocate, and that is, a more general application of the co-insurance rule. Heretofore it has been the opinion of the committees that co-insurance should only be applied in towns where there is a first-class fire department, and, under the operations of the Board, that is the case to-day, although it is being extended lately, and I think in the near future will be still further extended. The principal reason for not extending it to towns with second-class fire departments is this: that we would be writing more business, assuming more liability, for the same premium, or even for a less premium, as you can readily understand. Take a stock of merchandise valued at \$10,000 in a town where there is only a second-class fire department. The merchant is to-day probably carrying for his own safety and the safety of his creditors say \$7,000 insurance. The rate is one per cent., and we are getting \$70. Apply the 80% co-insurance clause, and take off 15% from the rate, and we are carrying \$8,000 insurance for \$68. We are assuming \$1,000 additional liability for \$2 less premium, and there is no money in it. It requires a great deal of consideration to determine just how far to apply that clause. We will take the case of the proposed mandatory co-insurance clause, which we tried to adopt here in San Francisco within the last year. It fell flat; we could not do anything with it. The proposition

made by the Executive Committee was that we should have a mandatory co-insurance clause on all buildings in San Francisco within the fire limits, and on certain other risks outside the fire limits. It was proposed that the mandatory clause should be 70% of the value of the property, and that for 80% or 90% or 100%, there should be proper deductions made. It was not approved, for the reason that we have the non-Board element facing us upon such a change; they would simply take the buildings without the co-insurance clause, and we could take the stocks with any other clause that we liked. Therefore so long as we have the non-Boarders with us, we cannot put the co-insurance clause into the same effect as if all the companies were in the Board. I would like to hear some other views on this subject, because it is a matter of very great importance to me personally, and to the committees to which I belong. I would like to get some ideas from other members of this Association.

Mr. D. A. Spencer—One suggestion made in the Paper appeals to me, and that is, that co-insurance should be made more desirable. As I understand the general proposition of rating, buildings are rated upon a certain percentage of insurance; that is, upon the theory that about a certain percentage of insurance will be carried by the property owner. In towns like San Francisco, or most of the well protected towns in California, at least, the amount of insurance carried is usually very much less than that upon which the rate is based. A man carries a comparatively small amount of insurance, in San Francisco, for instance, because he believes in the value of the fire department and of the fire appliances, and that he is at most liable to only a partial loss, and he carries enough insurance to repay him for any loss that he may sustain under those conditions. There does not seem to be an inducement for co-insurance sufficiently commensurate. It seems to me that if the rating is made higher upon the risk without any co-insurance, and the conditions are made correspondingly, the agent would have less difficulty in persuading owners to adopt the co-insurance clause. The difference does not seem to be enough to appeal to them as it is. For instance, a man

having a good brick building carries 40% or 50% and thinks he is carrying all he can. When we talk of his carrying 70% or 75% or 80%, the amount of insurance is so much greater and it makes his premium account so much larger that it does not appeal to him. But if we make the rate greater for insurance without the co-insurance clause, and then correspondingly less with it, I think the problem would be much simplified.

Mr. Lowden—Your idea would be to put up the rate sufficiently high so that you could give him a reduction for the co-insurance clause?

Mr. Spencer—Yes.

Mr. Lowden—That is a very nice way out of the difficulty ; in order to give him a greater reduction, increase his rate. What would be the result? You would be simply throwing your good business into the hands of the non-Boarders and giving them a better rate than they are getting to-day.

Mr. Spencer—I understand that feature, and that was something I understood from the start. But I am discussing the subject purely upon the theory of co-insurance.

Mr. Folger—Mr. President, I regret that a telegram telling me of a criminal loss called me out of the room during the reading of the Paper, so I did not hear either the concluding portion of the Paper or the discussion. I should have been very glad to speak upon the subject otherwise more fully. There are only twelve cities on the Pacific Coast at the present time where the co-insurance clause may be applied at all ; and in those it is limited to mercantile buildings and stocks included therein, and possibly a few other classes. Certain exceptions have been made, but they are very rare. As I recall what I remember of the Paper from a hasty reading of it, the writer would advocate the extension of the clause to manufacturing hazards, and not only to those in protected but in unprotected districts as well. It is to be regretted, I think, considering the time given to the Paper, that the gentleman did not prepare specific recommendations. It seems to me that in all cases, it would be

of advantage to this Association to pursue this plan. Certainly it would be to those who attempt to speak, if the gentleman writing a Paper would follow up the thoughts suggested and present something definite or concrete. It is quite immaterial whether all the members of the Association agree with him or not. Wisdom is not limited to any one member, and most of us gain a great deal by these discussions. But it has been the experience of the Association that, unless a Paper does present something definite and clear, much of the good falls to the ground when the meeting has terminated. I believe that the Board committees (and it is their work rather than ours) could extend the use of the co-insurance clause to many more than twelve cities, and to other classes; but it would have to be done with great care, and reduction in rate should be allowed only where the salvage would be great.

Mr. Mayer—In the name of the Special Agents' Association of the Pacific Northwest, I want to state that it is the consensus of opinion up there that brick buildings and stocks in brick buildings are commonly very much under-insured, and if the co-insurance clause were extended to the better class of towns, it would not reduce the premium income, but would very materially increase it. I was called away and have not heard the Paper, and consequently do not wish to speak any further upon it.

Mr. Brown—Mr. President: Some time since the Board of Fire Underwriters appointed a committee of five upon the subject of co-insurance, to consider the application of co-insurance not only to the cities to which it now applies, but generally throughout the field, and to include all classes of hazards, as far as possible. A divergence of opinion arose, even among those five members, so great, that we found it necessary to call in statistical experts, and to ask for the assistance of the statisticians of the University of California to assist us in our work. Their report has not been received. But, as one of the members of that committee, I say that I believe the committee recognizes the advisability of the extension of the co-insurance clause as far as practicable through our field, a great deal along the lines laid down in Mr. Francis' Paper. If

that can be accomplished, and a firm basis made for the co-insurance clause, I feel that we will have gone a long way towards accomplishing an object which should have been taken up a good many years ago. I am a firm believer in co-insurance, and believe it should be extended all over the field, and that the results will be to the benefit of all the companies.

Mr. Folger—Mr. Brown's remarks remind me of something that may very well be mentioned here and appear in the printed Proceedings. The Papers bearing upon adjustment of losses are most of them prepared by members of this Association. The committee referred to by Mr. Brown had opportunity to examine a large number of proofs of loss with a view to determining what proportion the loss bore to the value, in fires in one large city. It is to be regretted that, while the figures have not been tabulated in full, enough information is at hand to show that a very large proportion, more than one-half, of the losses, show the absence from the proof of any statement of value. That will not surprise you, if you will but stop to think how many partial losses there are, and that in the preparation of proofs of partial loss it is not common to give more than the total insurance involved and the loss, in filling them out. And I make the request now, as it is so essential for many purposes that we should have this proportion of loss to the value of goods insured, that in all future proofs, *members will endeavor to give the value, even if it is only estimated, in the proof.* I take it for granted that, within five years, certainly within ten, it will become the custom to examine the statistics in our offices with great care and minuteness; and the care with which such Papers as loss proofs are prepared, will have much to do with the value of these statistics and the inferences drawn from them.

The President—The next and last Paper on the program is entitled "Theory of Lines," by Prof. A. W. Whitney, of the University of California.

THEORY OF LINES.

A. W. WHITNEY.

In coming before you again, I am sure it is not out of place to remind you, as I did last year, that a practical business man and a mathematician come to such subjects as the one I am about to discuss with very different attitudes of mind. Your minds are full of concrete details and the practical situation as it is; on the other hand, I can hardly lay my hand on a concrete fact of the business that I could swear to, and I will admit that I feel far more at home with a theory. Now, it is evident that we shall not get any profit out of this discussion unless we take some particular pains each to appreciate the other's point of view; we must meet each other half way. For my part, I shall try to apply theory to actual practice, and to talk, if I can, practical sense; on the other hand, you must be tolerant with my assumptions. By the way, perhaps you do not realize how many assumptions you make in your business yourselves. But assumptions there must be; the nearer to the truth they are the better, if the problem become not thereby too complex; but always there will be a residuum after the assumed problem has been solved, and this must be met by judgment and practical sense. There is room for the highest type of business judgment in knowing how to apply a theory, in realizing just how far the limiting assumptions depart from the practical situation, and in knowing what allowance must thereby be made. I have to beg your pardon for speaking of this again; I do it because I think there is some feeling among insurance men that all theoretical help should be thrown aside because the problems of the business are so complicated that they cannot be solved exactly. My contention is that it would be just as foolish to do this as for a bridgebuilder to abandon the general theory of arches and girders because he cannot apply it to the minutest details.

I realize that probably the most important element in the practical question of lines is introduced by the fact that the rates on certain classes are, in some cases, not adequate, in others more than adequate, to pay the loss and leave a reasonable profit. This is not the problem that I intend to discuss. Some light might perhaps be thrown on it by a theoretical treatment, but it may well be left to business judgment.

My first assumption is then that the rates are exactly adequate; that is, in the long run, they just pay the loss, the expense of the business, and a certain profit.

My second restriction is made by neglecting the conflagration hazard. This is done because it requires another treatment. The theory

of lines as affected by the conflagration hazard can doubtless be solved, but it is a separate problem that I do not propose to consider here.

Third. I will assume that all the losses in a class are total. This, of course, is a wide departure from the truth. The problem can be solved without this assumption, but it is very complicated. I do not think the assumption affects seriously the principles involved, and it is certainly a great simplification and not out of place in a first consideration of the subject.

Fourth. I suppose that a uniform line is written on all the risks in a class.

I will first explain what I consider to be the principles that should guide us in this matter, and then give the mathematical result of their application. Underwriters are perfectly familiar with the element of expected loss in a class; it is the average loss over a long term of years, and should be about one-half of the gross premiums. But there is another element almost as important, but less familiar. While the expected loss is the *most* probable loss, it is still very *improbable* that it will occur exactly, but what we may expect is a certain fluctuation about this average. For instance, if a class contains 10,000 risks of \$1,000 each, and the rate is one dollar, that is, the hazard 1-200, there is an expected loss of \$50,000, which we may assume, I say, to be produced by the total loss of 50 buildings, but while this loss is most probable, it is still quite possible that one year may show a loss of only \$40,000 and another year a loss of \$55,000, but we may be sure that the probability of a considerable departure from the expected loss is only slight. Now it would be perfectly possible, by considering the fluctuations over a term of years, or also by a theoretical consideration, to find a departure from the expected loss, which was as likely as not to be exceeded; in the case above this would be about \$4,756; that is, in any one year it would be as likely as not that a loss would occur between \$45,244 and \$54,756, and it might be expected that, in the long run, in one year out of four, a loss greater than \$54,756 would occur. This departure from the expected loss is called the "probable" fluctuation of the loss, probable not being used in the sense of most probable, but meaning as probable to be exceeded as not. This probable fluctuation enters fundamentally into the theory of lines.

First let me define what I mean by the index of profit-stability of a class. Let us assume that fifty per cent. of the gross premiums measures the expected loss, that forty per cent. goes for expense and that ten per cent. is normally profit. While there will be ten per cent. profit on the

average, fluctuations in the loss will produce fluctuations in the profits. Now it is quite evident that of two classes that one will be the safer, that is, the profit will be the more secure from the possibility of being exhausted or drawn on to any large extent to pay loss greater than expected, in which the ratio of normal profit to probable fluctuation is the greater. I will call the index of profit-stability of a class then, this ratio of normal profit to probable fluctuation, or, in reality, for greater convenience, I shall use something proportional to this which will serve equally well since the interest of this discussion will come from the comparison of the indexes of different classes. It is possible then, knowing this index of profit-stability, to say exactly what the probability is that in any one year the profits will be exhausted in paying loss.

It remains, then, to see theoretically upon what elements this index depends. The exact determination of it in a large class would involve work quite prohibitive by its tremendously involved calculations, but fortunately, in just these cases, we are able to substitute an almost perfect approximation; in fact, in this way calculations that I shall require later, that would require years, even centuries, to perform, can be effected in a few moments.

The numerator of the index of profit-stability, viz., the expected loss, (proportional to the normal profit) is the product of the line, the probability of a fire and the number of risks in the class, it, therefore, increases directly with the hazard and with the number of risks in the class. The probable fluctuation, on the other hand, varies as the square root of the product of the probability of burning, the probability of not burning, and the number of risks in the class (the proof of this is too complicated to present). That is while the numerator (the expected loss) is increasing directly as the number of risks increases, the denominator (the probable fluctuation) is increasing only as the square root of the number of risks; therefore, altogether the index of profit-stability varies as the square root of the number of risks; that is, in a class with four times the number of risks the index of profit-stability is twice as large. That is something that possibly we all knew and certainly quite believable.

Another result, however, follows at once that seems at first somewhat paradoxical. Since the probable fluctuation depends upon the square root of the hazard, and the expected loss upon the hazard directly, as the hazard increases the numerator increases faster than the denominator, and the index of profit-stability therefore increases. That is, the greater the hazard the safer are the profits from the possibility of being exhausted in paying exceptional losses. That is, if the rate is adequate, a class

with a large hazard is safer to write than one with a small hazard, other things being equal, and that means in particular if the same number of risks are obtainable in each class. It should be remembered, however, that this is under the assumption that the losses are total; if this assumption were not made and we dealt with partial losses such as really occur, this principle would perhaps be seriously modified, and possibly in some cases even reversed. We may obtain an insight into the matter in this way. We have just seen that the stability of the profits is increased by increasing the number of risks in a class; but if we increase the hazard it accomplishes much the same thing (under the assumption of total losses); for in this way we have increased the number of expected losses, and increase of number as we have just seen makes for increased stability. For instance, if we had 10,000 risks in which the hazard was 1-200, we should expect 50 losses (still under the assumption that they are all total); for 40,000 risks we should expect 200 losses, and the profits would be twice as stable because of the larger number involved. Now, if we still dealt with our 10,000 risks, but the hazard was 1-50, we should again expect 200 losses, and from the fact that this greater number is involved, we should produce nearly twice the profit-stability just as before. Now, if the larger hazard of a more hazardous class lay simply in the greater number of fires, and there were the same relative distribution of partial and total losses, our assumption as to total loss would probably have much the same effect in both cases, and a greater hazard would make for greater profit-stability; but the increased hazard of a more hazardous class is in most cases not due merely to a larger number of fires, but often almost entirely to the relatively larger amount of damage done by each fire, that is to the larger proportion of total or large losses; the expected number of fires in two classes might then be nearly the same, the difference between the two being that in the class with the larger hazard the damage would be larger; we should thereby lose the advantage of a greater number of expected losses, and the increased hazard might not add in the least to the profit-stability of the class.

While these results are based upon theory, I have not the least doubt that an examination of the statistics of your business would corroborate them—for these indexes of profit-stability can just as well be obtained from statistics as from theory. I feel quite sure, for instance, that you would find in certain cases at least that more hazardous classes made a more conservative business.

So far the question of line has not appeared, for in a single class the index of profit-stability is not affected by line. We will now however consider a business involving several classes. For this purpose I have selected what might possibly represent the business of a San Francisco office, the rate in each case being an estimate of what would be just adequate. Now just as there is for each class an expected loss so there is for the whole business an expected loss, viz.: the sum of the expected losses of the separate classes. And just as there is a probable fluctuation of loss for each class so there is a probable fluctuation of loss for the business as a whole. It is possible, therefore, by comparing these to assign a value to the index of profit-stability of the business of the office as a whole. In the table on opposite page I give the expected loss, the *standard deviation (a quantity proportional to the probable fluctuation of loss), the index of profit-stability for each class and the probability for each class that in any one year the normal profits will be absorbed in paying exceptional losses.

It will be observed that the safest class is the last, in which the hazard is large and the number of risks fairly large. The small index of profit-stability in the fourth, fifth and sixth classes is largely due to the small number of risks in those classes. It will be observed that the index of profit-stability of the business as a whole is considerably higher than that on even the highest of the classes. Since the fourth, fifth and sixth classes are so unsafe in themselves, the question arises whether the business would not be safer if these classes were not written at all. Considering, then, only the first, second, third and seventh classes, the index of profit-stability turns out to be 17.30, which is not so high as the index of profit-stability on all the classes together; that is, while these three classes are by themselves unsafe, combined with the other classes they form a more conservative business than if not written at all.

The next question that arises is this: Are these the best lines that can be written in these classes; I mean theoretically, of course, without any consideration of whether practically they can be obtained or not? First, then, let me say that the index of profit-stability depends only upon the ratio of the lines and not upon their absolute value, for if all the lines were increased tenfold, there would simply be tenfold the volume of business and there would still be the same chance of having the profits used up in meeting exceptional losses.

Now the principle that must govern us in the determination of the best lines is this: we must choose our lines in such a way that the

*The probable fluctuation of loss is obtained from this by multiplying by .6744.

	<i>Duellings Protected</i>	<i>Duellings Unprotected</i>	<i>Mercantile Protected</i>	<i>Mercantile Unprotected</i>	<i>Warehouse</i>	<i>Long Term</i>	<i>Manufacturing and others</i>
The number of risks in each class	35,000	17,500	15,000	3,625	1,500	3,000	12,500
The line assumed to be written on each risk of the class	3,500	1,500	5,000	2,000	5,000	3,500	2,500
The rate . . . . .	.40	.65	1.20	2.25	1.00	.60	2.00
The hazard . . . . .	.002	.00325	.006	.01125	.005	.003	.01
The expected loss	245,000	85,300	450,000	81,600	37,500	31,500	312,500
A quantity proportional to the probable fluctuation of loss (the standard deviation)	29,250	11,290	47,290	12,700	13,660	10,480	27,810
The index of profit-stability	8.37	7.55	9.51	6.57	2.75	3.00	8.89
The probability that in any one year the normal profits will be absorbed in paying exceptional losses . . . . .	.047	.066	.0285	.0995	.2919	.2739	.0123

The expected loss on the business as a whole, 1243400.

A quantity proportional to the probable fluctuation of loss on the business as a whole (the standard deviation), 66716.

The index of profit-stability on the business as a whole, 19.50.

The probability on the business as a whole that in any one year the normal profits will be absorbed in paying exceptional losses, .0001.

index of profit-stability shall be as large as possible. This provides at once when treated mathematically an interesting result, viz.: that the lines must be chosen so that the probable fluctuation of loss shall be proportional to the index of profit-stability of the class; that is, if one class has an index twice as great as another twice as great a probable fluctuation of loss may be provided for. When this principle is developed it turns out that the line should for the best results be inversely proportional to the probability of *not burning*, but as this is nearly unity in all cases that we are concerned with it means that the lines should be practically the same on all classes. The exact ratios of the lines for the very best results in the seven classes considered above should be respectively 10020: 10033; 10060: 10114: 10050: 10030: 10101. Using these lines an index of profit-stability is obtained of 20.04, a quite considerable improvement in safety over the distribution of lines originally assumed.

I realize that theory must always be somewhat disappointing; it hardly ever affords immediately practical results. All that can be expected of it is to indicate a possible path which may have been hid by undergrowth of details. It remains to try the path by traveling it. All that I have hoped to do in this Paper is to call your attention to what I believe is the criterion of a conservative business, what I have called the index of profit-stability, to show you that as soon as this is known for a variety of classes, the probability that in any year normal profits will be exhausted in paying exceptional losses can be ascertained for each class separately and for the business as a whole, that the most conservative business is that in which this probability is least, and that this may be made a criterion for determining a good choice of lines. As for practical conclusions, they should by all means be drawn from the statistics of the business itself (for I have made certain assumptions whose effects are somewhat uncertain; furthermore, the mathematical approximations that I have used are good only in the case of fairly large numbers of risks); but this is entirely possible, for this method lends itself perfectly to statistical treatment. (Applause.)

Mr. Kinne—Mr. President, before any discussion upon this very important Paper is had, I think it will be entirely proper for me to read a communication from a practical business getter for many years and an adjuster, which may be a factor and perhaps germane to the question of the theories of the Professor.

The President—It will be in order.

Mr. Kinne—I ask permission to read it now because it seems somewhat apropos. The communication was handed to me to read, from the fact, no doubt, that the writer and myself, away back before the Chicago fire, were in the same company together, the old Pacific. It is from our old acquaintance, Harry Bigelow. It reads as follows :

TO THE FIRE UNDERWRITERS' ASSOCIATION OF CALIFORNIA :

A New Year's Greeting to you from an Old Man Bibulant. Fifty years ago (1855) I entered the insurance business in Cleveland, Ohio. In a year I knew it all, or thought I did, but I found afterwards there was much to learn and unlearn, and I finally came to the conclusion that I knew little or nothing about the Grand Scheme.

How much do any of us know of the *ins* and *outs* of insurance?

What have we learned beyond the first principles of our profession?

How much have any of us added to the great sum of knowledge of the principles governing the Grand System?

What a host of shining lights in their day are now resting from the toils? The Bennets, the Ripleys, the Magills, the Hollingsworths—all "Grants" in their day—have gone down the stream of time, and new luminaries have arisen in their place, but what has been added to the great sum of knowledge?

Can we fix the exact paying rate for a distillery any closer than we did by "the Rule of Thumb" fifty years ago?

Can we prevent over-accumulation of risk in a sweeping conflagration?

Have the sky-scrapers and steel-framed structures of to-day improved the general hazard?

Has electricity eliminated the risk of kerosene?

Are losses adjusted any closer or fairer than they were fifty years ago?

Can we say when the proofs are signed and the loss paid: "Well done—a fair loss well settled."

I remember an incident many years ago, a big fire in Virginia City—a furniture store gutted—a dozen adjusters were on the field. We finally came to a conclusion, settled the loss with a fair salvage on the policies. We were all invited by the claimant to a champagne supper at the "swell restaurant" of Nevada. As the wine flowed, "frappe and dry," toasts were in order, and I gave: "Here's to the claimant, an honest man with a fair loss well settled." Years afterwards in Helena, Mon-

tana, I met the divorced wife of the "Honest(?) Claimant." She assured me that the claim was a fraud; that her husband set fire to the store under the stairs, and burned up his diminished stock for the insurance. I recalled my enthusiastic toast and wished I could "toast" the rascal again more thoroughly, but he was dead, and was no doubt being "well grilled" in another locality, so "we can't most always sometimes tell."

Advance has been made; the Kinne and Sexton rules have solved the problem of the non-concurrent policy. Lowden has added greatly to scientific statistics, and no doubt each individual in our body has contributed his part to swell the great river of experience that now flows past our doors.

What great lesson does the past bring us this day to guide our future? A question that each may ask himself—"What can I do to swell the great volume of experience? How can I blaze and stake out the trail clear and clean for those who will follow me?"

A successful and happy New Year to you all, and when the awful Archangel of the Apocalypse, one foot on sea and one on solid land, shall proclaim that for each one of us "time is! time was!! but time shall be no more!!!" May we all be insured against fire.

(Signed) HENRY H. BIGELOW.

Sampson Flat, Dunlap Postoffice, Fresno County, Cal., January 1, 1905.

The President—To come back to the subject, Prof. Whitney has given us a mathematical problem on the Theory of Lines, and I should like to hear the question thoroughly discussed, for the reason that it will serve as a stimulus in our efforts toward a higher education, a broader course than was followed in the pioneer days, and the change is necessary under existing conditions.

Mr. Kinne—My idea in reading the letter just now was on account of the question of Practice vs. Theory. There is no question but that the ideas of Prof. Whitney are worthy of the greatest consideration. But figures based upon theories are different from figures that are taken out of the books before they are burned, or even afterwards from the records that can be obtained by an adjuster. Those sort of figures, in my opinion, while carrying out something, as Harry Bigelow says, of

the grand scheme of getting at ideas, is liable to lie just a little bit, and we cannot depend upon them. I believe from my experience, coupled with that of others in the business who have been at it for many years—we cannot depend upon anything else than the actual facts and figures, and those can only be obtained by a practical classification of risks, getting data from all companies, large and small, with either widely extended liabilities or minor ones, and then grouping them together. If that could be carried out, as is desired by the committee appointed for that purpose, I believe that the accumulation of facts and figures would be almost as plain and practicable, disregarding, of course, the conflagration hazard, as obtains in the facts and figures of life insurance, which is down to a mere fraction. I believe that you will find that bob-tail risks are not rated as high as they ought to be, and when this committee gets ready to furnish the underwriters with their experience through the ratings of the Board, if any community is possessed of one, as are we, then we can make the people pay the price that they should for their policies. I trust that if there are any here who have not been furnishing this Classification Committee with all the desired data, they will at once get into line and do so. It seems to me that, before a body of this character, more practical results can sometimes be attained and inducements offered for the benefits of us here, than coming through the difficult channels of the Board of Underwriters. But it has got to come through them; we can only do something to get this matter into practical shape. My opinion is that it is worth ten times all the theory that can be evolved from a suppositious case.

The President—Have you anything to say upon this subject, Mr. Lowden?

Mr. Lowden—I cannot quite agree with either Mr. Bigelow or Col. Kinne, Mr. President. I have been a good many years in the business myself, something like 34 or 35 years. I remember the old days when the special agent of the Phoenix and Home came to Truckee, where I was, and gave me about fifteen or twenty minutes instructions and showed me how to write a policy. The only information I received on

the subject of rates was this: "Ten per cent. on everything in the business part of town, and $2\frac{1}{2}\%$ on all the dwellings. Go ahead." In those days you could make money easily. All you had to do in towns like Truckee was to ask for insurance and get it. They needed the insurance, and we got the rates. But, as the time goes by, we have to do a great deal more trimming, we have to indulge a great deal more in theory than we did. Col. Kinne just referred to the science of life insurance, where the problem of the liability of fluctuation is very, very small. I would like to know where the life insurance companies get their theories, unless they get them from mathematics, such as Prof. Whitney has given us. This particular Paper may not be of any immediate value to us, but I take it that it is simply an entering wedge to something better. The Professor hinted in his Paper that it was possible, by the use of mathematics, to base his figures on actual experience, not on assumptions, one of which, as I understand it, is a total loss on every risk affected, the same as it is in life insurance. I gather from his Paper that mathematics could be used to give us results similar to those he has given, based on the actual experience of the companies, so far as the relation of total losses to partial losses is concerned. I think that these Papers which come to us from the professors of the University of California are very valuable to us. They are right in line with the movement that is going on all over the United States, which is, to make fire underwriting more of a science and less of a gamble than it has ever been. I appreciate such Papers, and I hope we will hear from Prof. Whitney again.

Mr. Mayer—Yesterday morning was the first time that I came to your meeting, and I saw a good many strange faces here. I had some opportunity to study several of the faces. I also read the program. When I saw Prof. Whitney sitting over there, I thought, "This must be the man who writes the Paper on Brain Work." I was mistaken in that, but not so very much, because I have found now that he is the man who did the brain work for us. I was fortunate enough to get an advance sheet of his Paper, and I got up early this morning and studied it somewhat. I read it perhaps three times. I think I will

have to read it a dozen times more before I get it through my head' But I will get it through. I have learned this much, that what in practice I have done for the past nine years, and could not always explain to myself why the figures came out that way, that there was something hidden which I did not understand—I have found out now by Prof. Whitney's theoretical figures that he is absolutely correct. I could not understand why I always made more money on the high hazard risks, the 10% risks, than I did on the frame dwellings. Neither did I understand why I kept to the risks which did not pay—I have several classes of risks which do not pay me at all ; but I kept them up, I don't know why, and from Prof. Whitney's conclusions I see that, in spite of keeping up those risks, I am ahead. You will also find, if you do go over the record of the Fire Underwriters' Association of the Northwest for the last nine years, that my average of losses is very even—it fluctuates very little. I do not think there is another office or another special who has as even an average as I have for the last nine years. I believe that after I get these figures through my head I will understand it better, and I thank Prof. Whitney for his Paper. (Applause.)

The President—Mr. Folger, will you add something to the discussion on this subject?

Mr. Folger—I think, Mr. President, that it requires a good deal of courage to discuss anything of this kind. But I was thinking a few moments ago that if one were given a beautifully illuminated copy of the Bible in the Russian language, and desired to make himself familiar with the contents, what course would he naturally pursue? On the face of it, the page opened before him would have nothing whatever to appeal to the eye or the mind, except the beauty of the work. But a student would start with the alphabet, the A B C, and would follow it up through primers or preparatory books, and study the language, all of which would require much time. I take it that this table has no practical value in itself ; that is, that the figures have no value. But for the careful statements in the Paper, they might even be misleading or

harmful, because these rates, which Prof. Whitney says are assumed to be adequate on these particular classes, are probably somewhere near right, but they are based upon partial losses, and he has assumed that the losses will be total. In other words, the table is simply a plan, a diagram, as we term it in our business, upon which a statistician or a theoretical man may build up other tables based upon *facts*, and deduce principles which may be sound. The tables presented by Prof. Whitney last year on co-insurance were, some of them, entirely wrong; but he pointed out that they were the kind of tables that would be needed whenever correct figures were ascertained. Of this table now presented, it may be said that the plan followed is sound; and that, whenever figures can be obtained which are accurate, principles may be deduced therefrom that are sound. I understood, also, by inference, that whenever the companies can furnish a sufficient mass of statistics, correctly ascertained, the Professor and his associates could deduce from such statistics what will be the probability of loss on a single class, or on a group of classes, and may deduce some lines therefrom.

I take this opportunity, Mr. President, to confirm what was said by Col. Kinne, that this Association can do its part by seeing to it that the records in offices are more accurately kept than they have been in the past, and especially made more specific. In the first place, we want in all cases of loss, the sound value of the property damaged or destroyed. We should like to have the information so clear on the different items that there would be no doubt in the minds of the Board classifiers. We have too many reports which read "\$1,000 on frame building," which conveys nothing. If, as the result of added interest in this matter, the reports to the Board become accurate, complete and extensive, I suppose Professor Whitney will say that the probability of error in a Board classification for fifty offices for a term of five years is immensely smaller than the probability of error in your office or mine. I had occasion, in looking over the classification of one of our companies at the end of last year, to consider the results in some important classes for five years, and I was satisfied in two classes that they were wrong. It appeared

that the records were nearly right as to premiums; but in the case of four important losses, the clerk had classified them under the wrong headings. In other words, a loss on a saw mill in one place had been charged to the flour mill class, and several similar errors had been made. The amount of the error, I think, was some \$7,000 in one class. An error of \$6,000 or \$7,000 in a classification covering an income of \$14,000,000 is not so serious. In other words, the value of the Board classification is more than directly in accordance with its size.

The President—Next in order is the report of the Committee on President's Address. Mr. Folger, Chairman.

REPORT OF COMMITTEE ON PRESIDENT'S ADDRESS.

To the Fire Underwriters' Association of the Pacific:

GENTLEMEN: Your Committee has carefully considered the address of the President and the reports of the Executive and Library Committees, with the several recommendations contained therein.

1. Inasmuch as the Papers read before this Association are no longer merely local in character, but are often fresh, thorough and technical, we believe that the greatest possible publicity should be given to them, and that their contents should be made known immediately after the close of the Proceedings. Therefore we recommend that no restriction be placed upon the publication of the papers in future, and that the practice be encouraged of having them set up in advance of the meeting, so that copies may be furnished to the press as soon as the Papers are delivered.

2. Your Committee could not undertake to submit at this meeting a plan for institute work which would cover the ground necessary, or deal adequately with so important a matter. Therefore we recommend that a Special Committee, of which the retiring President shall be a member, be appointed to take the whole question of institute work and the federation of the Insurance Associations in the United States into careful consideration, and that such Committee be instructed to report the result of its work at the next annual meeting. Further, that the Committee be instructed to endeavor to secure the co-operation of individual underwriters in the cities in which the Associations now exist, who shall be asked to urge the importance of the matter upon their respective Associations, so that replies may be obtained from as many of

them as possible to the invitation to join our own Association in some measure of co-operation. Your Committee may point out that the conditions under which institute work is done in Great Britain and Canada are somewhat different from those existing in this country; and that, in the matter of federation, it is not practicable to secure convenient meetings of such Associations in the United States, distance, time and expense all being serious obstacles, while in England some eleven institutes send delegates in a few hours to a selected point. Lastly, your Committee is of the opinion that the co-operation of professors and instructors in the University of California should be invited, more particularly those associated with the Department of Commerce.

3. *Library Work.* Considering that the outlay of \$600 per annum, recommended by the Library Committee for the engagement of a competent librarian, to act also as Assistant Secretary, is only \$150 more than our expenditure for the same purposes during the past year, your Committee recommends that the report of the Library Committee be adopted, and that the incoming Executive and Library Committees be instructed to co-operate in carrying out the plan proposed. Further, that careful record be made during the year of the extent to which the Library is used by members, both active and associate, and that a report be presented at the next annual meeting with such fullness as will enable the Association to decide upon the propriety of continuing this arrangement permanently.

4. *Special Publications.* We recommend that the Association adopt the suggestion by the President that practical Papers read at these annual meetings be published in separate pamphlet form whenever the Executive Committee shall determine that such publication will be of advantage to the membership; and that the number of copies and the prices to be charged shall be fixed by the Executive Committee.

Respectfully submitted,

HERBERT FOLGER,
WHITNEY PALACHE,
F. B. KELLAM,
F. J. ALEX. MAYER,
A. W. THORNTON.

Mr. Folger—On behalf of the Committee, I move that the report be received and taken up section by section for consideration.

The President—If there is no objection, such course will be pursued. It is so ordered.

Mr. Folger—The first section has reference to the publication of Papers read before the Association, withdrawing prior restrictions and favoring the greatest possible publicity. In explanation we may say that, for a long term of years, it was believed improper that copies of these Papers should be given out, either to the members generally, or to anyone, until the Association Proceedings had appeared in print, which was very often sixty days after the day of the meeting. The President is of the opinion, and the Committee is unanimously of the same opinion, that Papers should be given out freely at the time of the meeting, so that they may appear in the East, or elsewhere, as is the custom with all other Associations. I move the adoption of this first recommendation.

The Secretary—I second the motion.

The motion unanimously passed.

Mr. Folger—The second section of the report deals with institute and federation work. It is not the intention of the Committee to recommend that one shall depend upon the other, or the two go together, but that an effort be made to establish institute work upon the Pacific Coast, upon the lines and with the use of such means as may be deemed proper, and that, secondly, the same Committee be charged with the duty of correspondence upon the subject of federation. We recommend the adoption of the second section, and I make that as a motion.

The Secretary—I second the motion.

Mr. Folger—Mr. President, we are not anxious to railroad this through. We may say that if expense is to be involved in the starting of of an institute, it is assumed that this Committee will go into it very carefully before indulging in expense, and that contributions will be obtained from the different offices rather than to draw from the Association. There is also a suggestion to be made by Mr. Mayer which is not included in this section of the Committee's report.

The motion passed unanimously.

Mr. Folger—The third section, Mr. President, is the most important in the sense that it affects our finances. The Library Committee has recommended that, instead of expending \$450 per annum for the rent of offices and salary of Secretary, we expend during the coming year \$600, or \$50 per month, which shall be used entirely for the salary of an Assistant Secretary and Librarian. He will relieve the Secretary of much of the details of the office and at the same time will be present in the library during each day of the year at such hours as he may arrange, and not only have the care of the library, but assist the members to use it. You may have observed that, at the close of the section, we ask that a report be presented to the next Annual Meeting showing to what extent the library has been used. And I desire to place myself on record as saying that, while I highly endorse the expenditure of the \$600 for this year, I would not approve of it for future years if it should prove that the library is not used during the present year as it should be. I do not mean to say that the majority of the members of the Association will be expected to use the library; but there must be a tangible and clear demonstration that a reasonable number will use it, if we are to expend \$600 per annum upon it. If any member desires to write a Paper, he could not do better than confer with Mr. Moore, the Librarian, and get from the library the really valuable information that is to be had upon all subjects. I move the adoption of this section, and that the outlay of \$600 be authorized for the purpose named.

The motion was duly seconded and unanimously carried.

Mr. Folger—The last recommendation, Mr. President, was your own recommendation that the publication of special Papers be permitted whenever, in the judgment of the Executive Committee, it was deemed proper. We move the adoption of that recommendation.

The motion was duly seconded and carried unanimously.

Mr. Mayer—I do not desire to make a minority report as to these recommendations, Mr. President. I am satisfied that if we had had time to talk the matter over more thoroughly, the Committee would all agree with me in what I have to suggest. I do not think we are in a

condition just now to open an institute, and even if we are, I suggest, instead of the institute, that we open up a correspondence school on the same plan as that adopted by the law correspondence classes. If we have people like Prof. Whitney to help us, if we co-operate with the Toronto institute and the other institutes, to get their books and support, I believe we could do the best work by the correspondence school. The correspondence school would not exclude me. The institute would exclude me. I am too old to go to school again, but I am not too old to learn. If we are able to get a correspondence school on insurance science, I think we will get just as much benefit out of it as if we went to the University again. The main point of an academical education is system, not study. It is not so much the contact with others, but even if it is the contact with others, we have that operation already. The special agents always gather together wherever they meet—always come together. Now comes the system in our study. These Papers which we read here are all good as they are. But there is no system in them. If we were to go to work and start a school in its different branches, starting in with whatever was necessary, I believe it would be more of a help to us than an institute. It will educate the man in the field, it will educate the man in the insurance business in general. And for my part, I believe that the Committee that is to take the matter of the institute in hand should also take the matter of the correspondence school in hand.

The President—It has occurred to me, Mr. Mayer, that your suggestion is a very excellent one, but that it is a matter of detail and will be considered by the Committee, if it is found that the institute scheme is not feasible. It is certainly a very good suggestion.

The Secretary—Mr. President, Mr. Gibbons has handed me the following resolution with reference to the amendment to Article XII, which has to-day been adopted by the Association. It is as follows :

AMENDMENT TO ARTICLE XII.

Insert after Associate Member : Also, any student in attendance at the University of California who is studying the course of insurance at that institution, shall be eligible as an Associate Member. Application

of student for membership shall bear the endorsement of one of the professors of the Insurance Department of the University of California.

The President—This being a constitutional amendment, it is simply ordered filled at this time, and it will come up at the quarterly meeting on the third Tuesday of the month of April in this year. Vice-President Thornton has handed me a letter addressed to Thomas R. Roberts, of Seattle, Washington, and signed by Herbert T. Granger. Time is pressing, however, and we can hardly look into the matter this afternoon, in view of the length of our program. I would, therefore, suggest that it be turned over to the Executive Committee, and, if the subject is one that will be of interest, the letter will be incorporated in the Proceedings. Is this course satisfactory to you, Mr. Thornton?

Mr. Thornton—Perfectly satisfactory, Mr. President.

The President—With reference to the Committee mentioned in the second recommendation of the Committee on President's Address, I shall re-appoint as such Committee, the members of the Committee making that report, and, in accordance with the terms of the report, your President is added as a sixth member. Next in order is "The Knapsack." We will now hear from the editor, Mr. Grant.



CALIFORNIA KNAPSACK.

GEORGE F. GRANT—EDWARD NILES, EDITORS.

VOL. XXIX.

JANUARY 11, 1905.

NO. 1

Mr. Grant—Mr. President and Gentlemen: Aleck Mayer has a boy growing up who takes a great interest in his father's business. His father had a bad loss in one of the northern towns, and it caused him a great deal of uneasiness. He incidentally employed several detectives upon it. The detectives didn't seem to do anything, and so Aleck took a hand himself, and he lodged the claimant in jail. The boy said, "Father, instead of writing these Papers about what to do with or without books, why don't you write a Paper about whether to do with out without detectives?" (Laughter.)

We are indebted to the boys of the Northwest for a number of contributions, which come to hand through our good friend Thornton, for which we are duly grateful. One of them in particular I notice is a steal, so I will read it to you.

EDITORIAL—GEORGE F. GRANT.

Mr. Danforth M. Baker, of Kentucky, closed his eloquent address as follows:

"The poet says,

We often sing of the beautiful land
As the land that is far away;
But why not make it near at hand
And live in it every day?"

If the poet and Mr. Baker, who to my untutored mind are one and the same, could come to San Francisco he would find us taking lunch together in the beautiful land every day but holidays—and for the rest of

it, we not only make it near at hand but share it with our sweethearts.

As a matter of fact while we sing of it, sometimes, we do not sing loud enough or often enough to be heard in Denver, let alone Kentucky.

This beautiful land is so beautiful and then there is so much of it, and we are so happy together and love each other so dearly that we do not quite understand Mr. Baker unless he refers to the beautiful land "far, far away, where saints in glory stand brighter than day," and I am now reminded that our Mr. Baker is in fact a life insurance man; while we can only think and talk in fire insurance—quite another language.

It is twelve years since we were cut-throats, but the survivors show no scars. Does this prove anything, I wonder? Does it prove, for instance, that the blood-letting was beneficial, allayed the fever, made our heads cool and our feet warm, while nature by "first intention" did the rest. Is there any such thing as nature in business? I mean our business.

One who has lived in a forest has noticed that while nature kills that which is old she beautifies it and adorns it, and covers it as with a garment to hide the ugliness.

Here in San Francisco when a good insurance fellow comes to grief, I have noticed how freely and quickly his rivals come to his relief. One of my friends who is noted for his coldness and for exacting the last bit of benefit for his office, is always doing kind acts surreptitiously. To hear him talk he is nobody's friend. The beautiful land is here all right, and the beautiful sentiment of friendship is a fine, wide streak which abides in every one of you. Give it all the freedom you can for the Reaper is reaping all the time, and to-day is all the day we know.

Three of us went by stage to the scene of the fire that had wiped out the principal business block. "Come right up to the house, all of you," said my hospitable agent, "I can stow you away somewhere." We gladly accepted, chatting as we went.

"What makes it awfully bad," said Adjuster Hart, "is the burning of the hotel. I miss me tub in the morning and me hot rub at night.

From childhood, don't you know, I have been accustomed to me tub, and just now I feel the grit and grime of travel in an unusual degree."

"Oh, well," I said cheerfully, with a reproachful glance at Mr. Hart, "you have been on the road long enough to put up with temporary inconveniences."

"No necessity in this case," spoke up the agent; "there is a commodious bath tub at home and you can all make a good toilet before dinner." At this Hart laughed gladsomely and immediately filled his pipe contentedly.

We gave Hart the first chance at the bath room; he was very slow and the rest of us became impatient. At last with a face suffused with blushes he came forth. In reply to our expostulations at waste of time, he said in a subdued tone, "There is something wrong with the blooming pipes; you know the water won't run off at all, and by Jove, it is greatly discolored and I don't like it at all."

We just howled at the thought that Hart's bath had clogged the pipes. We never told him that some cut flowers had occupied the tub just prior to his arrival—but the plumber knew it.

This music store man had incurred his first loss. He waited in fear and trembling. The adjuster came, and recommended the payment of the claim. Acknowledging the receipt of the money the delighted music merchant said: "Your fire company is like my new stock of pianos. It is square, upright and grand."

A CAREFUL AGENT.

In posting a new agent I do not forget to impress him with the proper wording of the policy and to explain the importance of knowing *after* the loss just what is intended to be covered. I have a little lecture on such subjects and I am always glad when the agent shows an intuitive grasp of my ideas. The man who sent the attached daily report was a very apt pupil. Here follows the daily report:

\$3,000.00 On his oil paintings as follows:

\$ 250.00 On moonlight scene, dark canvas, river in foreground, with hills in background, full moon, house at right with light streaming from window.

\$ 500.00 On scene supposed to be on the Bosphorus, with grey stone tower on edge of water, sailing craft and galleys with many long oars.

- \$1,750.00 On panel painting showing surgeon pulling a patient's tooth while others stand by watching the operation. Eight figures.
- \$ 250.00 On sea scene, rock in mid-ocean, three nude figures on left, two grown men, one woman and a child in a large shell floating on the water; dark green sea, dull light on the horizon and dark sky; all while contained in the two-story frame building situate No. 1224 Second avenue, Newburyport.

BARB WIRE GATE PROBLEM (WITH FREIGHT IN).

I.

How dear to my heart are the gates of barb wire,
 When a turn in the roadway presents one to view!
 I jump from the wagon and land on a briar
 To unfasten the gate while the Local drives through.

II.

To fasten the gate is the next job before me,
 The loop at the bottom is not hard to catch in,
 But the one at the top will very near floor me,
 While I strain every muscle and puncture my skin.

III.

To look at that gate it seems easy to close it,
 The wires appear slack, but—well, don't be misled!
 I tackle the job, it's a corker (God knows it),
 And before I get through I'll have barbs in my head.

IV.

I pull, and I tug, and I strain every muscle,
 Tear the skin off my hands till I'd quit in disgust;
 And then, when at last I have won in the tussle,
 I'm completely exhausted and covered with dust.

V.

There's a gate at the wheat field, gates in the orchard,
 There's a gate at the barnyard and one at the house,
 And when all these are past your Special is tortured
 And many a rent he has torn in his blouse.

VI.

The Local, you know, has a fondness for driving,
 So the Special, of course, must open all gates.

Dead sure 'tis a plot of the Local's contriving
To hold on to the reins while the Special quotes rates.

VII.

I knock at the door and inquire for the farmer.
"Sure, he's just gone to town," says the wife with a cough,
"An' t'wont do no good for to wait," says the charmer,
"'Cause our grain's all insured by our friend, Mr. Hoff."

VIII.

How dear to my heart are the gates of barb wire,
When a turn in the road shuts the last one from view!
How the heart of the Special is warmed by the fire
That glows in his breast at the thought: "I am through!"

The young watchman was told to permit nobody to enter the fire-damaged store. When he saw a handsome young lady, with lifted skirts, stepping gingerly over the debris, he pointed to the "no admittance" sign. She replied, "I am the daughter of the proprietor—haven't I a perfect right?" The gallant fellow bowed politely and said, "Yes, indeed, and there is nothing the matter with your left, either."

A certain special agent of the Northwest contingent, while recently adjusting a household furniture loss in the town of Squedunk, State of Washington, found that the assured had, in her statement of loss, made claim for one set of false teeth and a canary bird. The special agent promptly proceeded to eliminate these two items as not covered under the policy, but the resourceful assured stuck to her claim, stating that the teeth were lost out of the third story window of her apartments while hollering "FIRE!" and that later, when she went to search for them, the cat, during her absence, ate the canary bird. She contended that the teeth were covered under the policy form as a part of the "dining room furniture," and the canary bird was a "musical instrument."

Needless to say the claim was allowed.

A QUERY.

Having reference to the lady who recovered loss of her false teeth under item of wearing apparel, should not loss of dancing slippers and

socks be recoverable under item of fixed and movable machinery including *pumps* and *hose*?

THE TELEPHONE AS A FIRE ALARM.

The man stood at the telephone,
And howled to raise the dead.
The fire-fiend, even, shuddered at
The awful things he said.

He jabbed the trumpet to his ear,
And, with a gasping moan,
He shrieked a prayer for mercy
Through the soulless telephone.

"Give me the fire department, *quick*!"
He cried, "Oh, haste, I pray."
Eftsoon came back a languid voice,
"What *number* did you say?"

The man he danced a frenzied jig,
And shouted it once more.
Around he heard, with sore affright,
The conflagration roar.

"Hey, Central!" shrieked he then at last,
"My whiskers are on fire;
"Get busy, 'ere my dwelling place
Becomes my funeral pyre."

All agonized, he waited on,
To swoon with sorrow when
The yawning spirit voice came back,
"Line's *busy*; call again."

They found his charred remains beneath
The blackened brick and stone,
And still into his ear was jammed
The party telephone.

"The building is a total loss. Assured is a good, honest German—new and not finished on the inside—but there is nothing to inditate that he was in any way responsible for it. The story goes that a young man was to take a certain young lady to a dance at this hall the next Wednes-

day night, and another young man, who was interested in the same young lady, made the remark that his rival would not take the young lady to that dance, and some parties intimated that this existing condition may have had something to do with the origin of the fire, but, after looking into it, I could not find that there was anything in the rumor, although it is true that there wasn't any dance owing to the burning of the hall."

EXPERIENCE OF A NORTHWEST SPECIAL.

Once I appointed an agent true,
 Alone, alone.
 He said he would stick to me like glue,
 Alone, alone.
 The risks that this man sent to me,
 Would fill any special's heart with glee,
 So I didn't tell any of the boys, you see,
 Alone, alone.
 Along came a special of a non-board Co.,
 Alone, alone.
 For grabbing up agents he was not slow,
 Alone, alone.
 He cancelled and re-wrote business galore,
 Not caring whether it made me sore,
 He knew when I came that I would roar,
 Alone, alone.
 I came to visit the next day, too,
 Alone, alone.
 One little risk loomed up in view,
 Alone, alone.
 I've been on many a book, said he,
 And then he looked up in my face with glee,
 Don't tell the boys that you saw me,
 Alone, alone.

The adjustment was on lodge furniture and fixtures, and the exalted keeper of the jeweled day book was delegated to conduct the same on behalf of the lodge.

He looked at me fixedly for an instant, then said, "You are not a member of the order."

"No, I am not."

"That makes it bad."

"Why so?"

"I cannot very well describe the loss to the uninitiated."

"What does it cost to join the order?"

"One hundred dollars."

"What is the loss?"

"Sixty-three dollars and fifty cents."

Even if I was a member these papers would go through many hands, mostly clerks; they cannot all be members. At a meeting of the "ancient passed elevated governors," it was decided to proceed provided I could accept the statement of the exalted keeper without looking upon the paraphernalia.

"Let it go at that," I said, and I sent in the following award:

1 Goat	\$35.00
1 Mask and crown	15.00
1 Hoodwink	5.00
1 Funeral bell	3.50
1 Saw buck	5.00

My wife, who is a member of "The Sisters of Evolution," tells me the prices are all right.

Mr. McKenzie told me once that the office of the Washington Insurance Association received a letter saying: "My father, the insurance agent, is dead. You would save postage to discontinue mail matter to his address."

"Not knowing the present address," said McKinzie, "guess I will take the advice."

OLSON'S SIDING, Idaho.

What would you write and how much it cost for \$1,500 shingle mill exposed by a meadow and near timber for three months.

Yours, JOHN OLSON.

One new agent made the rate as follows:

Basis dwelling	\$.60
Exposure dwelling 60 feet at 1 cent a foot . . . . .	.60

Annual rate \$1.20

A MYSTERIOUS SALVAGE.

It was on a hot day in August that we received a letter from an agent in a San Joaquin Valley town reporting loss as follows :

" Had a fire last night which totally destroyed a portion of my stock, and I will give you a list of articles burned :

30 gallons	Coal oil
20 " "	Lubricating oil
10 " "	Gasoline
5 " "	Benzine
5 " "	Turpentine

I am glad to advise you that balance of my stock was saved without damage. Send adjuster."

Referring to daily report we found \$2500 on stock of general merchandise while contained in one story frame store building, etc. We immediately answered the letter and asked the question, how did you save the stock?

The agent replied as follows : "On page No. 41 of the rate book, I read of the danger from gasoline and petroleum, and so I segregated the stock, putting all the oil in a subsidiary store thirty feet in the rear, and that is how I saved the stock in the main store."

As correspondence seemed inadequate we sent an adjuster.

A TOAST.

Here's to the Northwest Special Agent's Association,
 May it bar out all contamination;
 May agents and managers look with surprise
 On a group of men so wond'rously wise :
 May excess and rebates be unknown,
 And the business grow as it's never grown.

A special agency position happened to be vacant. An ex-special applied for such position, and importuned a prominent local agent to assist him in procuring said desirable position. The local agent's letter to the manager was as follows :

MANAGER HARDTACK INS. CO. :

John Doe, formerly special agent for the Old Junk Fire Ins. Co., desires the position of special agent with your company, made vacant by the resignation of former Special Agent Richard Rae, and requests that

I write you in his behalf. I have promised to do so, and this is it.
 Very truly yours,
 BILL SMITH, Local Agent.

THE AGENT AND THE PINK SLIP.

Theme :

" O wad some power the giftie gie us,
 To see ourselfs as others see us ! "

The agent was sad and dejected, his hopes had all vanished in air,
 His plans had been brusquely rejected, and his forehead was wrinkled
 with care.

The pink slip is with us, he muttered, O, why don't they take it away !
 My clients have every one sputtered, when I've ventured to ask for my
 pay.

The pink slip spells only damnation, the agent gets cussed every time,
 He can't even take a vacation, unless he should own a gold mine.

I'll agree, more water is needed, with reservoirs up in the hills ;
 The work has been sadly impeded, by councilmen's copious bills.

The G. A's we've favored with business, have ordered the pink slip
 attached ;

But the agents who rustled that business, now sit on themselves where
 they're patched.

O, that these great men (barring banter) could be with us only a day,
 The pink slip would vanish instanter, and I could collect up my pay.

O, that they could hear me called grafter, and highwayman, robber and
 thief ;

Although they are daft, they'd be dafter, until they had granted relief.

" Hello, Bardefsty, how are you ? "

" Excuse me, my name is Bard. "

" How's that ? "

" Had my name changed by act of Legislature. "

" What for ? "

" To improve the moral hazard. "

I am surprised that you, an insurance man, never visits the scene of
 a fire.

Does it surprise you that a doctor never attends a funeral ?

DEBRIS.

In reply to office query regarding a dwelling risk not renewed agent says :

" Policy 6,987,543, Gladys Jones.

" Above not desirable. Her pipe runs clear through her roof.

What is roof covered with? Answer : Paint.

A special agent of the Aachen & Munich, when asked if he would have beer to drink, replied : "No, thank you, that's Teu- tonic."

The agent was vexed because the office had declined a " file factory." On inspection it proved to be a printing office when the file system was turned out.

If the business belongs to the agent and the commission belongs to the assured, the company can safely claim the experience.

From the least remembered agency came the following telegram :
" Mrs. May damaged by smoke. Please send some one to attend to it." This seemed to be a case for the doctor.

COPY.

TOLEDO WN., Aug. 6, 1904.

Chief Surveyor :

I just got your notice about Johnson's policy. From the way you ask questions, you must think Bill Johnson aint all right ; well he is, and he's a good friend of mine. Came mighty near getting nomination for Representative from this district for the House next Session, and he'd have got it too, if it hadn't been for a lot of cheap politicians— But if you want to know where his store is, it's on the corner next to Jim Brown's saloon and right across the street from the livery stable. The Methodist Church is in the same block, only Bill's store fronts on the other side of the street from the church. He's got a brick chimney in his store, and if he'd had a stove pipe, I'd have said so. Of course if you don't like to have " etcetera " in the policy, I'll scratch it out, but I don't see what hurt it's going to do. If I cant write policies right, why don't you get somebody that can—there aint anything in the Insurance business anyhow.

Now, if there's any more things wrong about this policy, send the young fellow down here that appointed me agent and get it fixed right.

Yours truly, —————

BUILDER'S ESTIMATE.

"I examined premises of Policy No. 6,406,843 and find same to be a total loss by fire."

A "SPECIAL" POEM.

In this wild and wooly West,
There are specials not a few
Who ride upon the railroads
And in the stage coach too.

Once a year these specials gather
At the order of the boss
To discuss momentous questions
Including policy forms and loss.

Also questions mathematical,
Credits, appraisal, and estoppel,
Sometimes followed by libel
If you speak just what you know.

And the menu at the banquet
Has its place around the board
And receives consideration
When the wine is being poured.

Of course these specials all
Are Board men stanch and true ;
Well, not exactly all,
For there's an Ishmaelite or two.

Who do not mind a cut in rate,
Or a building three for two,
Or perhaps a high commish—
Just to gobble an extra few.

However we forgive them,
For they know not what they do ;
It's just their way to get business,
Because their office tells them to.

Then heartily we will drink
To the special agents all,
For they are jolly good fellows
And ever ready at the call.

And we pay a silent tribute
To the friend who cannot come,
Who has passed beyond the river
To the special agent's home.

ELECTION OF OFFICERS.

The President—The next business in order is election of officers. The Chair will now entertain nominations for the office of President.

Mr. Fogarty—Mr. President, I think it is in accordance with the unwritten law of this organization that the Vice-President shall be elevated to the office of President with each recurring year. I take great pleasure in presenting to you the name of our Vice-President, Mr. A. W. Thornton, for the office of President of this Association.

Mr. Gibbons—I take pleasure, Mr. President, in seconding the nomination.

Mr. Lowden—I move that the nominations be closed, and that the Secretary be instructed to cast the ballot of the Association in favor of Mr. Thornton.

The motion was duly seconded and carried unanimously, and the Secretary cast the ballot of the Association for Mr. A. W. Thornton for the office of President of the Association for the ensuing year.

The President—I am very glad indeed to be the first to congratulate Mr. Thornton on his election to the Presidency of this Association. We shall be glad to hear from him.

Mr. Thornton—I feel a good deal, Mr. President, like the Irishman who was suddenly made Sargeant. He was so excited that when he was asked his height, he said he was either 5 feet 10 or 10 feet 5, and that he was so mixed up he didn't know which. The past meetings of this Association have very greatly advanced in interest and proficiency, until such a standard is now established that one elected to the Presidency must look forward with a great deal of diffidence to preparation for the coming year's work. I do not know, however, but that it will

be a good thing for the Association to have a poor meeting in 1906, in order to show by contrast what good meetings we have been having in the past. However, I pledge myself to do everything in my power to get as close as I can to the high standard that has been established for this Association's meeting. I thank you most heartily, not only on my own account, but on behalf of the special agents of the Northwest for the honor you have just done me of choosing me as an officer of the Association. We, as a body of Northwest men, appreciate the honor. And, on behalf of those men and personally, I thank you very, very much. (Applause.)

The President—Nominations are now in order for the office of Vice-President.

Mr. Sexton—Mr. President, one of the surprises to George Grant and myself is that we are the only charter members of this Association present at this time. I am surprised that it has lived so long, for I had supposed that after the first years, and when we were worked out, that it would die. But it didn't. Each meeting has been an improvement on the one before it, and I must say, and everybody will back me up, that this meeting is the best meeting we have had. (Applause.) And the reason of it is, that we change our men in office, putting in a new man as President every time. One of the rules that custom has made for this Association is that the man who is selected for any given year for Vice-President shall be President the next year. Following that rule, and selecting the man for the office of Vice-President whom everybody told me to name, I have the pleasure of placing in nomination Mr. F. B. Kellam. (Applause.)

The President—I claim the privilege of seconding the nomination of Mr. Kellam for Vice-President of this Association, for the reason that he and I were in the harness together a good many years; and I, therefore, know something of his capabilities. He will, I am sure, fill the position with honor, both to himself and to the Association.

On motion of Mr. Gibbons, seconded by Mr. Meade, the nominations were declared closed, and the Secretary was instructed to cast the

ballot of the Association for the office of Vice-President of the Association, which was done, and the President declared Mr. Kellam the duly elected Vice-President of the Association for the ensuing term.

The President—Next in order is the election of a Secretary and Treasurer.

Mr. Lowden—For the position of Secretary and Treasurer (the two offices being combined, I understand), I take great pleasure in placing in nomination Mr. Calvert Meade. It is not necessary for me to refer to the work that Mr. Meade has done in the past. He has been self-sacrificing in his work, and conscientious; and I think that, having worked as he has done, and now that the labor of the office is very much lessened, he is certainly entitled to the position of honorary Secretary and Treasurer of this Association.

Mr. Gibbons—I take great pleasure in seconding the nomination of Mr. Meade, and I move that the nominations be declared closed, and that the President cast the ballot of the Association for Mr. Meade as Secretary and Treasurer of the Association.

The motion unanimously prevailed, and the ballot of the Association was cast for Mr. Calvert Meade as Secretary and Treasurer, by the President, who thereupon declared Mr. Meade to be the duly elected Secretary and Treasurer of the Association for the ensuing term.

The President—The election of an Executive Committee is next in order. Under the Constitution as it now reads, the President-elect and the retiring President are ex-officio members of that committee. Nominations will therefore be made for three additional members of the Executive Committee.

The Secretary—I move the re-election of the present Executive Committee, Mr. Whitney Palache, Mr. George W. Dornin, and Mr. W. H. Gibbons.

Mr. Lowden—I second the motion.

There being no other nominations, the gentlemen named were unanimously elected to fill the position of members of the Executive Committee of the Association for the ensuing year.

The President—Next in order is the Library Committee.

The Secretary—I think it is very important, Mr. President, at this juncture, that the old committee be continued in office, and therefore I nominate Mr. W. H. Lowden, Mr. Herbert Folger and Mr. Benjamin J. Smith.

Upon motion duly seconded, nominations were declared closed, and the Secretary was instructed to cast the ballot of the Association for Messrs. Lowden, Folger and Smith, which was done, and the gentlemen named were thereupon declared the Library Committee of the Association for the ensuing year.

The President—I believe that concludes the list of officers to be elected and the business of the meeting as well.

Mr. Lowden—Mr. President, I am sure that all of the members and guests of the Association who have attended this meeting have been impressed with the fact that it has been one of the most, if not the most, interesting meeting the Association ever had. We owe very much of this result to the good work and direction of our retiring President. I therefore think that we should give Mr. Fuller our very hearty thanks, and so I move that the thanks of the Association be tendered to President Fuller for the energetic and efficient performance of his duties.

The motion was duly seconded, and, upon being put by the Secretary, was carried by a unanimous rising vote.

There being no further business before the Association, the Twenty-ninth Annual Meeting of the Association was declared adjourned.

The Executive Committee having passed favorably on the letter of Herbert T. Granger, brought up during the last day's session, it is, therefore, incorporated in the Proceedings as follows :

THE "LOSS PAYABLE" CLAUSE.

November, 17, 1904.

THOS. R. ROBERTS, ESQ., Seattle, Wash. :

DEAR SIR: You have asked me for my opinion as to the rights of a mortgagee in case of loss, where the policy of insurance reads as follows: "Loss, if any, payable to John Jones, mortgagee, as his interest may appear." I shall answer that question from the standpoint of the law as

it seems to have been laid down by the Supreme Court of this State.

In my judgment the answer to the question depends upon the reading of the conditions of the policy. Where the policy containing the above quoted loss payable clause also contains the usual standard form clause as follows: "If with the consent of this company an interest under this policy shall exist in favor of a mortgagee or of any person or corporation having an interest in the subject of insurance other than the interest of the insured as described herein, the conditions hereinbefore contained shall apply in manner expressed in such provisions and conditions of insurance relating to such interest as shall be written upon, attached or appended thereto." I think it must be taken as settled in this State that the policy as to the mortgagee is not invalidated by the act of the assured named in the policy, or mortgagor. This precise question has been fully and carefully considered by the Supreme Court of this State and settled by them. I refer to the case of *Boyd vs. Thuringia Ins. Co.*, 25th Wash., 447; from which opinion, however, Judge Anders, who is still on the Supreme bench, dissented. The Supreme Court in the above entitled cause, followed the decision of the Supreme Court of Nebraska in the case of *Oakland Home Ins. Co. vs. Bank of Commerce*, 66 N. W., 646.

You will observe that the above quoted clause from the standard policy provides that the condition of the policy, in case the insurance is made payable to a mortgagee, shall apply in the manner as expressed in the loss payable clause. The argument of the Supreme Court is that where the loss payable clause makes no reference to the conditions in the policy, then the conditions do not apply and therefore the policy, so far as the rights of the mortgagee are concerned, is not invalidated by a violation by the assured of the conditions of the policy. They argue that if, when the loss payable clause is endorsed upon or attached to the policy, the insurance company expect that a violation of the conditions of the policy shall invalidate the policy as to the mortgagee, they will so state in the loss payable clause so written on or attached to the policy. In other words they consider the above question from the standard policy to mean that if there is no expression or statement in the loss payable clause, as to whether or not the conditions of the policy shall apply to the interest of the mortgagee, then it is the intention of the insurance company that the conditions shall not apply. They say that this clause means that the conditions of the policy shall not apply except as may be stated in the loss payable clause, and if the loss payable clause is silent on that question that the conditions of the policy do not apply

and the policy would not be invalidated by a violation by the assured of the conditions of the policy. I quote the following language from the opinion of the Supreme Court, which itself shows the line of reasoning adopted by them: "When it said 'the conditions hereinbefore contained shall apply in the manner expressed in such provisions as shall be written upon or attached or appended thereto,' and when in the slip recognizing her as mortgagee and payee, no provisions relating to the forfeiture were contained, the effect of such action by the company was as though it had said expressly, 'this insurance shall not be invalidated by any act or neglect of the mortgagor of the within described property nor by any foreclosure, nor by any change in the title or ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy, nor by the owner procuring other insurance, etc.'"

In the opinion in the Boyd case above referred to the Court uses the following language: "The general rule is that where the mortgagor procures a policy of insurance to be issued to himself, loss, if any, payable to the mortgagee as his interest may appear, the former is the insured and subsequent alienation voids the policy."

They, however, hold that the rule did not apply in that case on account of the fact that the policy contained the above clause quoted from the standard policy.

It strikes me that the matter is one easily to be regulated by the companies in either one of two ways:

First: If the above quoted clause was omitted from the form of the policy then the general rule referred to above would apply, and the policy, even as to the mortgagee, would be invalidated by the acts of the mortgagor.

Second: If the loss payable clause provided that it should be subject, however, to all the conditions of the policy, then the acts of the mortgagor in violation of the conditions of the policy would invalidate the policy, even as to the interest of the mortgagee. The opinion in the Boyd case is reached, as the Court itself says, by considering the loss payable clause and the other clause above quoted from the policy together, so if the loss payable clause is changed, or if the other clause is omitted from the policy, the Boyd case would not apply, and on the contrary the general rule stated by the Court would apply.

Even if the suggestion above made should be adopted by any company, it should still be careful to see that the contract of insurance is with the mortgagor alone, for even then, if the circumstances were such

as that the Court could find that it was the interest of the mortgagee that was insured, then the policy would not be invalidated by the acts of the mortgagor. There have been two or three decisions in this State holding that the policy was not invalidated in the hands of the mortgagees by the acts of the mortgagors, but the cases have turned and been controlled by the fact that the mortgagee was the person whose interest was actually insured. In one instance the mortgagee procured the policy of insurance and paid the premium; in the other the policy was paid for the purpose of insuring the interest of the mortgagee, and the policy was delivered by the insurance company to the mortgagee. In such cases the Court holds that the policy in the hands of the mortgagee is not invalidated by the acts of the mortgagor. If, however, the policy is taken out and paid for by the mortgagor, and delivered by the insurance company to the mortgagor, and the suggestions hereinbefore made by me are followed, I think there is no question but that our Courts would hold that if the mortgagor violates the conditions of the policy, the mortgagee cannot recover.

For a more thorough understanding of the decision of the Supreme Court of this State in the above entitled case of *Boyd vs. Thuringia Fire Ins. Co.*, permit me to say that the facts were that the mortgagor, subsequent to the issuance of the policy, sold and transferred the property, and the purchaser procured and collected other insurance on the building, equal to the full value of the building, nevertheless, notwithstanding the alienation of the premises, and the procuring of additional insurance by the purchaser, the Supreme Court held that the mortgagee to whom the first policy was made payable, could recover.

Very respectfully,

H. T. GRANGER.



THE BANQUET.

After the guests had partaken of the viands of an excellent menu, for which the Palace Hotel is noted, toastmaster Fuller started the ball rolling by a happy little talk as follows :

The act of breaking in on the good cheer pervading the banquet hall this evening, calls to mind the story told on himself by Joseph Chamberlain. It appears that Mr. Chamberlain was made the guest of honor at a banquet in Liverpool, which was given by the Mayor of the city. When it came time for speech-making the Mayor leaned over toward Mr. Chamberlain and whispered, "Your excellency! Shall we let the crowd enjoy itself a while longer, or had we better have your speech? (Applause.)

At the dinner last year my worthy predecessor established the precedent of informality, which was accepted with such general favor that it will, I think, be most agreeable to keep up the practice, and with this understanding I trust that the good fellowship which has been indulged in up to this moment may continue throughout the evening.

I am now about to lay down the responsibilities which I took up just one year ago, and in doing so I relinquish the honors to my successor with feelings of pleasure mingled with pride, pleasure influenced by the many acts of kindness rendered me in my work—pride in the feeling that the continued success of the Association is assured, as shown by the wisdom expressed in the selection of officers for the ensuing year.

My thoughts now revert retrospectively to the past: It was in the Northwest, during the early years, in the last decade of the last century, that I met and formed the acquaintance of a certain field man. We traveled together; we had our meals together; we adjusted losses together; and through it all I was in a position to judge most clearly of his characteristics. I then predicted that this co-laborer of mine would excel in his work, and I leave it to the decision of this assemblage if I was not correct in my judgment. You will now be put to the test by drinking to the health of our next President, A. W. Thornton."

(Applause, followed by "He's a jolly good fellow.")

Mr. Thornton then responded:

Mr. President and Gentlemen of the Association: Special agents, as a rule, are good single-handed talkers, but indifferent orators or after-dinner speakers; and your humble servant is no exception to the latter part of this rule.

Realizing that it is the custom to call upon the in-coming President for a few words at the annual banquet, and knowing my inability in such an emergency, I went to one of the few orators we have among the traveling men of the Northwest, and said to him: 'Gunn, you are a good talker, so I want you to prepare some impromptu remarks for me to commit to memory and deliver at the banquet; this proposition of speech making worries me.' My friend Gunn quickly replied: 'Hoot mon, dinna greet sae muckle aboot it, I'll fix ye.' He did. But the 'Gunn' must have been loaded, and I think with good 'Scotch,' for he fired such a charge of Gaelic at me that the Irish was forced to retreat.

There is no one engaged in the insurance business on the Pacific Coast who has attained such a distinction, who has acquired such a reputation or reached such a pinnacle of success in underwriting, that the election to the Presidency of this Association would not be an honor, and a great honor to him. How much greater an honor is it, therefore, to a young and comparatively inexperienced man—to the officer whom you have to-day elected for the coming year. For this distinction I am deeply grateful, and I pledge you my very best efforts for an interesting, instructive and successful meeting in 1906.

Mr. Spencer here read the following telegram from Chicago:

GEO. W. SPENCER, Chairman:

Zero weather and blizzards being our portion, our hearts turn with warmth to beloved California and the good fellows that will to-night celebrate the closing of another successful year for the F. U. A. Congratulations.

COFRAN, DUGAN, MARSHALL, AND MCELHONE.

Then followed short talks by Hon. Sam P. Davis, Controller State of Nevada; J. H. Schively, Dep. Ins. Commissioner State of Washington; Myron H. Wolf, Ins. Commissioner State of California.

One of the "Old Guard," W. L. Chalmers, failed to put in an appearance at this annual gathering, but he was with us, nevertheless, in spirit, as shown by the letter of regrets received from him, the reading of which elicited a most happy response in the way of drinking to his health.

An interesting communication was received from the Hon. Sam H. Nichols, Insurance Commissioner of the State of Washington, offering regrets for his inability to be present. The hearty good cheer which resounded through the banquet hall in response to the reading of this communication fully demonstrated the reciprocal feelings of regret that he was not present in person.

This feeling was amplified by drinking to the health of Mr. Nichols, which was followed by singing "He's a jolly good fellow."

F. J. Alex. Mayer responded to toast "Special Agents' Association of the Pacific Northwest."

At this juncture, toastmaster Fuller sprung the surprise of the evening, which was expressed feelingly in the following words:

For the privilege and pleasure I enjoy in being present here this evening, I am indebted, primarily, to an absent member of this Association. His name now appears on the honorary membership list, and justly so, for the reason that he has done a great deal for this Association.

About the first thing I did after assuming the responsibilities of President was to write to this benefactor of mine and ask him to contribute a Paper for my meeting. This he declined to do, stating that he had been out of touch with the insurance business for so long he did not feel that he could do justice to an insurance subject. I, of course, had to acquiesce, but knowing his capabilities in another direction, I persisted with a second request, which, I am happy to say, was successful, the extent of which you will soon be able to determine.

At this juncture, however, I feel constrained to pass over the incidents of this life and refer to those whom we met around this board in years gone by—old friends, old chums, dear companions in our life-

work from whom we shall *never hear again*, these comrades who for the last time crossed over the range.

It is, therefore, most fitting that in the midst of a scene which formerly knew their familiar figures we should give a few moments to their memory. This we are permitted to do in concert through the medium of a song entitled 'To Comrades Gone,' which was written and has been dedicated to this Association by E. W. Carpenter. (Applause.)

Mr. Spencer holds a letter from the author of this song, and I know you all will be interested in hearing it read.

SAN DIEGO, CAL., January 10th, 1905.

Gentlemen: By courtesy of President Fuller I am pleased to be represented at your banquet by a song which he has requested me to write.

My aim has been to prepare one in the sentiment and harmony of which you could all join. I am sure the train of thoughts set in motion by my inadequate words will appeal to your finer feelings, while the tune finds a friend in every English-speaking tongue.

The generation which saw the organization of the F. U. A. P. is rapidly passing away; over one-third of your charter members are already departed. I believe you will welcome a medium through which you may fittingly and concertedly devote a few moments, at each annual banquet, to the memory of those who have gone before.

As your voices blend in song, each of you will individualize its sentiments as applying to one, two or three with whom your associations have been the most intimately friendly, with whom you have stood side by side at our annual banquets, "just as to-night;" but whose faces will never greet you here again.

And perhaps it may, also, be a comforting thought to those still living to feel that the heart-yearning to be remembered, which is common to all, will find a responsive, songful echo in these banquet halls, after they have underwritten their names for the last time and made their final journey.

I hope that, under the leadership of Mr. Staniford, who has kindly consented to act for me, you will all join in the song, and that it may serve, not only on this occasion, but in future years, to fulfill its memorial mission.

Your old friend,

E. W. CARPENTER.

THE BANQUET

TO COMRADES GONE.

Air: America. Words by E. W. Carpenter.

To comrades gone before,
With whom we sang of yore,
We sing to-night.

Though severed earthly ties,
Their phantom forms arise,
Before fond memory's eyes,
This festal night.

About this self-same board,
Their wit and wisdom soared,
In brilliant flight.
In flush of manhood grand,
With glasses raised in hand,
They stood where we now stand,
With eyes as bright.

"Good fellows, all," we sang,
While shouts of laughter rang,
Just as to-night.
With each recurring year,
We'll drink, midst festive cheer,
"To comrades gone, and dear,"
As now,

* * * *

to-night.

After distributing copies of the song, the President said :

We now have the song before us which is intended by the author as an Association memorial ode to be sung regularly at our annual gatherings. The sentiment expressed by the words is indeed most appropriate, and as to the air the selection was certainly prompted by a happy thought. In this relation our brethren across the water have accused our forefathers of 'stealing their thunder,' and I think they were right, for the reason that we have acquired a habit of appropriating good things from abroad, and this is certainly one of them. There is no good reason, however, why we should not get along amicably together in the joint use of this air for the reason that seated around this board to-night

are mingled together representatives of millions upon millions of dollars of fire insurance capital controlled by American and Foreign corporations, the latter being largely British. In our business and social relations we get along most harmoniously together ; why then should we not blend our voices together in giving harmonious expression to that soul-stirring air, " America," and "God Save the King!"

The song was then sung with hearty good will, and after a few remarks to the memory of comrades gone, by one of the old guard, Mr. Geo. D. Dornin, a telegram was dispatched to the author at San Diego, reading: "Fire Underwriters' Association, in banquet assembled, sends greetings and appreciation to Comrade Edwin W. Carpenter."

MENU

Eastern Oysters Half Shell

SOUP

Consomme Grand Duke

Sauterne

Olives

Radishes

Celery

Salted Almonds and Pecans

Paupiettes of English Sole, Victoria

Potato Rosette

Claret

Fillet of Beef, Financier

Punch Yvette

Champagne

Stuffed Squab, Gibleet Sauce

French Peas

Mixed Green Salad

Ice Cream

Biscuit, Palace Hotel

Assorted Fancy Cakes

Cafe Noir

GUESTS AT THE BANQUET.

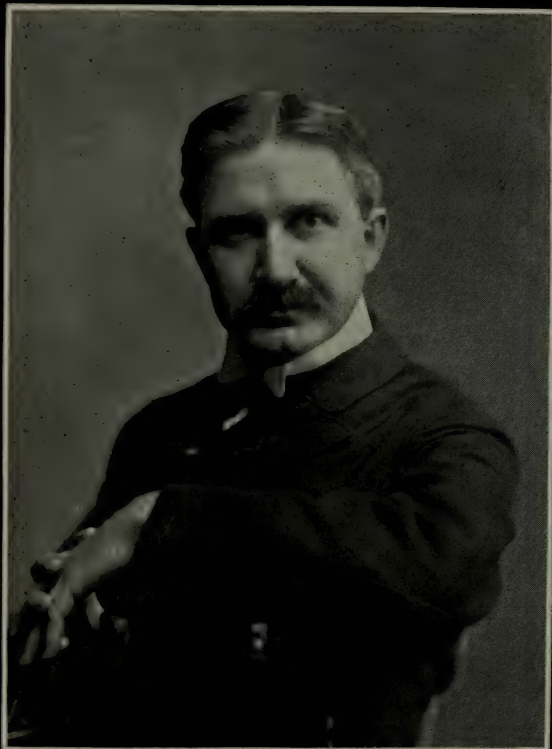
Anderson, C. H.	Foulkes, F. W.	Jackson, H. R.
Bailey, Jas. D.	Folger, Herbert	Keith, H. B.
Bacón, E. H.	Flack, E. B.	Keller, W. F.
Bailey, A. T.	Frazer, Jas.	Kinne, C. Mason
Bentley, J. M.	Frank, Wm.	Kellum, F. B.
Brush, R. G.	Frank, Rudolph	Kroesen, S. W.
Butler, Geo. E.	Fogarty, John T.	Lowden, W. H.
Blanchard, H. P.	Fiskin, A. K.	Lambert, Albert
Burke, H. R.	Fabj, R. P.	Landon, H. S.
Brown, Arthur M.	French, J. S.	Lord, Leslie H.
Bangs, Franklin	Folger, Clinton	Little, J. R.
Cosgrove, John E.	Friend, Roger B.	Lyon, John
Crandall, J. E.	Frith, T. T.	Landers, Wm. J.
Colvin, Chas. A.	Fortmann, W. G.	Lyndall, C. P.
Cunningham, Jas. C.	Fuller, J. H.	Moore, J. P.
Carey, J. A.	Gaston, F. W.	Mayer, Saml. D.
Coogan, T. C.	Gabrielson, C. D.	Mott, E. J.
Christensen, C. M.	Grant, Geo. F.	Murphy, J. A.
Culver, E. V.	Goodwin, B.	Muir, Andrew
Crux, Geo. A.	Gazzam, W. L.	Myrick, C. S.
Codding, Geo. C.	Griffith, P. H.	Miller, W. L. W.
Conroy, Thos. J.	Gunn, John W.	Mayer, F. J. Alex.
Cleveland, W. M.	Gordon, Harry F.	Morgan, Wm. O.
Danker, H.	Gerould, P. E.	Meade, Calvert
Dayton, W. S.	Hard, G. H.	Maris, Wm.
Devlin, Frank J.	Harrison, J. Hunter	Mendell, J. M.
Dornin, Geo. D.	Hatfield, Prof. H. W.	Nason, Arthur G.
DuVal, W. S.	Hawxhurst, C. W.	Neal, Robt. W.
Davis, Hon. Sam P.	Holmes, John W.	Niebling, E. T.
Driffield, V. Carus	Haitz, W., Jr.	Osborn, R. W.
Durbrow, P.	Heuer, G.	Olds, A. C.
Devine, Geo. E.	Henry, C. A.	O'Callaghan, Dan
De Jarnatt, W. B.	Hoagland, W. W.	Palmer, G.
Dornin, John C.	Hill, Chas. B.	Parrish, E.
De Lappe, R.	Hunter, Frank T.	Price, H. H.
Eitel, E. E.	Heuer, G. A. R.	Palache, W.
Easton, J. L.	Haupt, Frank L.	Pigott, Wm.
Edwards, L. B.	Hayne, B. S.	Price, H. H.
Fuller, J. L.	Hill, Chas. S.	Penfield, A. J.

Pierce, D. W.	Schively, J. H.	Whitney, Prof. A. W.
Parker, D. A.	Scott, Geo.	Walsh, Frank E.
Richards, J. H.	Simmen, Sam	Winterburn, Chas. J.
Rountree, R. H.	Sexton, Wm.	Wilkinson, C. W.
Rosenblatt, Leon	Staniford, F. C.	Weston, J. A.
Rooklidge, J. W.	Tiedemann, T. J. A.	Wellington, Geo. B.
Raymond, W. H.	Thompson, M. H.	Watt, Rolla V.
Roberts, Tom R.	Thompson, Toll	Wendler, Chas. A.
Richards, J. D.	Trumbull, J. B.	Webster, Stanley
Robbins, F. C. H.	Thompson, Chas. R.	Wright, R. D.
Stover, F. R.	Thompson, E. R.	Whitmer, A. W.
Shinn, W. J.	Thornton, A. W.	Webber, J. F. R.
Shinn, R. C.	Tyson, Geo. H.	Walden, J. B.
Sproul, E. G.	Thieme, Oscar	Young, E. J.
Spencer, Geo. W.	Wolf, W. Myron	Zwick, W. F.

The orchestra and vocal quartette interspersed popular music throughout the evening, and the Menu being of the best, nothing appeared to be lacking to render the banquet a complete success.

The Dinner Committee, the two Georges, Spencer and Grant, were therefore extended a personal vote of thanks by each and everyone present.





JOHN OGLESBY THOMAS

At a special meeting of the Fire Underwriters' Association of the Pacific held in the rooms of the Association June 15th, 1904, the following memorial was unanimously adopted:

JOHN OGLESBY THOMAS.

JOHN OGLESBY THOMAS was born January 23d, 1865; died June 12th, 1904, in the thirty-ninth year of his age.

Death has called to the Great Beyond another of our members, and in calling has selected from among us one in the prime of young manhood, and at a time when there had opened before him new fields of usefulness and fresh opportunities for success.

Suddenly, in the midst of the active discharge of new duties, JOHN OGLESBY THOMAS has passed from the fellowship of this Association and from the happy responsibilities of a devoted family life.

There remain with us, however, the memory of his genial personality and sturdy friendship and the example of his conscientious, painstaking devotion to his work as special agent for which a training of many years, both in the local agency field and in the San Francisco office, so well qualified him.

A true comrade has gone from us, and from his family a loving husband and father, and we desire to record by these words, few but sincere, our deepest sympathy for his bereaved ones, our appreciation of his companionship and our respect for his memory.

F. B. KELLAM, FRANKLIN BANGS, H. P. BLANCHARD.	} <i>Committee.</i>
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At a special meeting of the Fire Underwriters' Association of the Pacific, held in the rooms of the Association, August 8, 1904, the following Memorial was unanimously adopted:

EDWARD BROWN.

On the 7th day of August, 1904, there passed from this life EDWARD BROWN, senior member of the well-known General Agency firm of Edward Brown & Sons.

MR. BROWN was born in England, 1839, and came to America in 1863, beginning his insurance career in Philadelphia in that year, and by his ability and judgment, soon became a prominent figure in the insurance world. In 1875, MR. BROWN came to San Francisco to establish the Pacific Coast Department of the Caisse-Generale. In 1876, he was appointed General Agent of the Faneuil Hall and Lycoming Insurance Companies. In 1878, the firm of Brown, Craig & Co. was organized, and continued in business until 1896, when it was dissolved, and the firm of Edward Brown & Sons was formed.

Possessed of exceptional ability, great strength of character, and kindly disposition, these sterling qualities endeared him to many friends. A kind and devoted husband and loving father, his home life was an ideal one. MR. BROWN was one of the charter members of this Association, served on the Executive Committee in 1877, and was elected Vice-President in 1878.

During the many years of his membership, he contributed interesting and instructive Papers, notably, "Legislation and Taxation," 1877; "Fire Department and Water Supply," 1878; "Elements of Rating Hazards," 1880; "Fire Department and Water Supply," 1885; "Are Compacts Desirable," 1889; "The Written Part of the Policy," 1892; "Insurance vs. Underwriting," 1894, and "Methods of Fire Insurance in Europe," 1900.

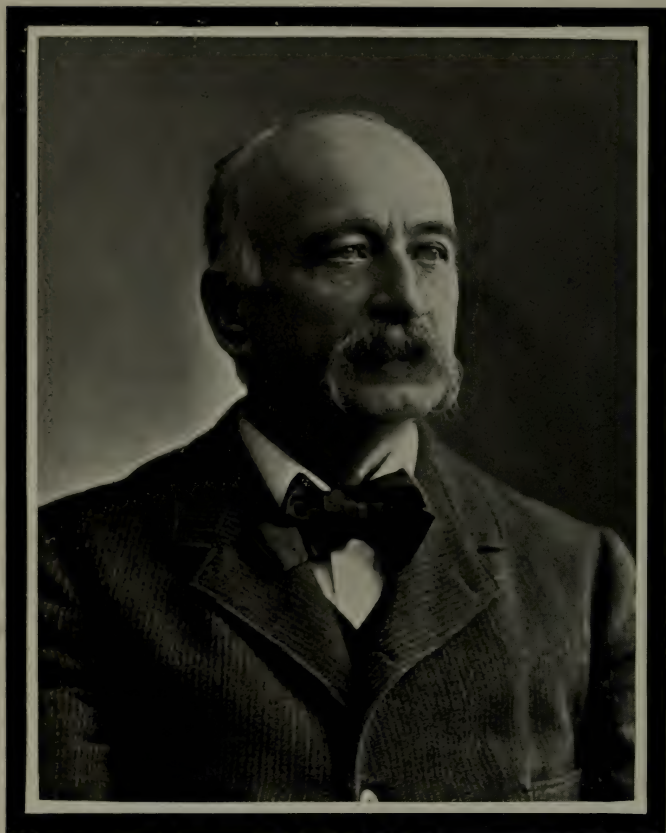
By his death this Association has lost a loyal and honored member, and we shall greatly miss him, his genial presence, his unassuming manner, kindly greeting and valuable advice.

Resolved: That this tribute of our esteem be recorded in the Proceedings of this Association, with which he has been so long identified, and that an engrossed copy be tendered his bereaved family.

T. J. A. TIEDEMANN,	} Committee.
CHAS. D. HAVEN,	
HERBERT FOLGER,	



EDWARD BROWN



JOSEPH JOSEPHUS AGARD

At a special meeting of the Fire Underwriters's Association of the Pacific, held in the rooms of the Association, September 20th, 1904, the following Memorial was unanimously adopted :

JOSEPH J. AGARD.

" Till like ripe fruit thou drop
Into thy mother's lap ; or be with ease
Gathered, not harshly plucked."

JOSEPH J. AGARD was born in Chenango County, New York, in 1836; was admitted to the bar of New York in 1859 and began the practice of law in Albany. He enlisted at President Lincoln's first call for troops in April, 1861, at Cleveland, Ohio, and served in the army of the Cumberland until wounded during the siege of Atlanta, September 2nd, 1864, at which time he was Captain of Company K, 19th Ohio Veteran Volunteer Infantry. He arrived in California in 1868; was admitted to the bar, but immediately went into the real estate and insurance business in Sacramento, being appointed local agent of the Hartford Fire Insurance Company in 1871. He was appointed special agent for that Company in 1881, and was continuously in their service until the day of his death, September 19th, 1904.

Whereas: In the sudden death of our late associate, we deplore the loss of one whom we recognized as a man of sound judgment and strict integrity, and thoroughly conscientious in the performance of every duty. Such a man, loyal to his country, his family, his friends and associates, leaves with us only pleasant memories.

Therefore be it

Resolved: That the sympathy of this Association and an engrossed copy of these minutes be delivered to his sorrowing and bereaved family.

ADAM GILLILAND,	} Committee.
E. C. MORRISON,	
CALVERT MEADE,	

CHARTER MEMBERS OF THE FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC.

Organized February 23, 1876.

- BAILEY, JAS. D., General Agent, Union Insurance Co.
BARNES, E. T., General Agent, California Insurance Co.
BIGELOW, H. H., General Agent, Home Mutual Insurance Co.
BRUSH, R. G., City Agent, State Investment & Insurance Co.
*BROWN, EDW., General Agent, Faneuil Hall & Lycoming Insurance Cos.
BROMWELL, L. L., Special Agent, Phœnix and Home Insurance Cos.
*BRYANT, A. J., President State Investment & Insurance Co.
*CALLINGHAM, WM. J., General Agent, Royal Canadian Insurance Co.
*CLARK, Z. P., Agent, German-American Insurance Co.
DICK, B. C., Agent, Kansas Insurance Co.
DICKSON, ROBT., Manager, Imperial, Northern & Queen Insurance Cos.
*DOOLAN, WM., Special Agent, State Investment & Insurance Co.
DORNIN, GEO. D., Secretary, Fireman's Fund Insurance Co.
*GARNISS, J. R., Adjuster.
GRANT, GEO. F., Special Agent, North British & Mercantile Ins. Co.
*GUNNISON, A. R., Special Agent, Commercial Ins. Co. of California.
*HART, J. W., Agent, Scottish Commercial Insurance Co.
*HOUGHTON, J. F., President, Home Mutual Insurance Co.
LANDERS, WM. J., Manager, San Francisco Agency, Guardian Assurance Co.
*LOWE, B. F., Adjuster.
MACDONALD, WILLIAM, Surveyor, Board of Fire Underwriters.
MAGILL, R. H., General Agent, Home Mutual Insurance Co.
POTTER, E. E., of Potter, Jacobs & Easton, General Agents.
SEXTON, WM., Special Agent, Fireman's Fund Insurance Co.
SMITH, A. D., General Agent, Northwestern, Amazon & Fairfield Insurance Cos.
*SMITH, HENRY, Special Agent, Liverpool & London & Globe Ins. Co.
SNOW, H. W., Special Agent, Commercial Union Assurance Co.
SPENCER, Geo. W., Special Agent, Ætna Insurance Co.
*STAPLES, J. W., Adjuster.

*Deceased.

OFFICERS AND COMMITTEES.

List of Officers and Committees of the Fire Underwriters' Association of the Pacific, since organization :

Year	President	Vice-President	Secretary-Treasurer
1876	†Benjamin F. Lowe	Henry H. Bigelow	†John W. Staples
1877	George D. Dornin	William L. Chalmers	†John W. Staples
1878	†Augustus P. Flint	†Edward Brown	†John W. Staples
1879	†Casper T. Hopkins	Andrew D. Smith	†John W. Staples
1880	George W. Spencer	†Edwin W. Carpenter	†John W. Staples
1881	Louis L. Bromwell	George F. Grant	†John W. Staples
1882	George F. Grant	Edwin W. Carpenter	†John W. Staples
1883	Edwin W. Carpenter	William Sexton	Robert H. Naunton
1884	William Sexton	Charles Mason Kinne	†Charles P. Farnfield
1885	Charles Mason Kinne	†Zenas P. Clark	Robert H. Naunton
1886	†Zenas P. Clark	†John W. Staples	Robert H. Naunton
1887	†John W. Staples	William L. Chalmers	Bernard Faymonville
1888	William L. Chalmers	Lemuel B. Edwards	Bernard Faymonville
1889	Lemuel B. Edwards	†William J. Callingham	Thomas W. Fenn
1890	Bernard Faymonville	William H. Lowden	Robert H. Naunton
1891	William H. Lowden	Henry M. Grant	George H. Tyson
1892	Henry M. Grant	Stephen D. Ives	Edward Niles
1893	Stephen D. Ives	Rolla V. Watt	Russell W. Osborn
1894	Rolla V. Watt	V. Carus Driffield	Russell W. Osborn
1895	V. Carus Driffield	Herbert Folger	Louis Weinmann
1896	Herbert Folger	Russell W. Osborn	Louis Weinmann
1897	Russell W. Osborn	Louis Weinmann	Calvert Meade
1898	Louis Weinmann	Edward Niles	Calvert Meade
1899	Edward Niles	Frank J. Devlin	Calvert Meade
1900	Frank J. Devlin	George W. Dornin	Calvert Meade
1901	George W. Dornin	William H. Gibbons	Calvert Meade
1902	William H. Gibbons	Whitney Palache	Calvert Meade
1903	Whitney Palache	Jacob L. Fuller	Calvert Meade
1904	Jacob L. Fuller	Albert W. Thornton	Calvert Meade
1905	Albert W. Thornton	Frederic W. Kellam	Calvert Meade

EXECUTIVE COMMITTEE.

1876	Louis L. Bromwell	James R. Garniss	George F. Grant
1877	†Edward Brown	William J. Sanders	Andrew D. Smith
1878	Andrew D. Smith	Oliver H. Cole	George W. Spencer
1879	†Augustus P. Flint	William Macdonald	Albert R. Gunnison
1880	George F. Grant	†Edward Brown	Oliver H. Cole
1881	George W. Spencer	Edwin W. Carpenter	Charles Mason Kinne
1882	Thomas Edward Pope	Andrew D. Smith	†Thomas A. Mitchell
1883	George F. Grant	Harvey W. Snow	Oliver Hawes
1884	George F. Grant	Harvey W. Snow	Oliver Hawes
1885	George F. Grant	Harvey W. Snow	Oliver Hawes
	†Deceased.		

EXECUTIVE COMMITTEE—Concluded.

1886	†Henry K. Belden	†George F. Ashton	Calvert Meade
1887	†Henry K. Belden	†George F. Ashton	Calvert Meade
1888	†William J. Callingham	George C. Pratt	Rolla V. Watt
1889	Bernard Faymonville	William H. Lowden	†Henry K. Belden
1890	†Henry K. Belden	George Easton	Henry M. Grant
1891	†Henry K. Belden	George Easton	Alfred Stillman
1892	Alfred Stillman	George Easton	V. Carus Driffield
1893	V. Carus Driffield	William H. Lowden	William Sexton
1894	Herbert Folger	Franz Jacoby	James H. De Veuve
1895	Russell W. Osborn	Frank J. Devlin	John T. Fogarty
1896	Frank J. Devlin	George W. Dornin	Whitney Palache
1897	Frank G. Argall	Edward Niles	Robert P. Fabj
1898	Whitney Palache	†William H. Bagley	Leslie A. Wright
1899	John T. Fogarty	Alfred R. Grim	Whitney Palache
1900	Edward Niles	William H. Lowden	Russell W. Osborn
1901	Frank J. Devlin	Rolla V. Watt	William Sexton
1902	George W. Dornin	Herbert Folger	Louis Weinmann
1903	W. H. Gibbons	Herbert Folger	Louis Weinmann
1904	Whitney Palache	W. H. Gibbons	George W. Dornin

LIBRARY COMMITTEE.

1876	George W. Spencer	Robert H. Magill	Byron C. Dick
1877	†James W. Hart	Hugh Craig	Samuel D. Mayer
1878	J. W. Kinsley	George W. Spencer	Ludwig Beck
1879	Oliver H. Cole	Joseph C. Jennings	William J. Landers
1880	George E. Butler	Edward Brown	Charles J. Van Tassel
1881	†John W. Staples	†William J. Callingham	Robert H. Nauntun
1882	George W. Spencer	†Samuel O. Hunt	†John W. Staples
1883	†John W. Staples	George W. Spencer	Robert H. Nauntun
1884	†Casper T. Hopkins	George D. Dornin	†Andrew J. Bryant
1885	George W. Spencer	William Sexton	†Samuel O. Hunt
1886	George W. Spencer	William Sexton	
1887	George W. Spencer	Rudolph Herold, Jr	Thomas Edward Pope
1888	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1889	George W. Spencer	Edwin W. Carpenter	†John W. Staples
1890	George W. Spencer	Edwin W. Carpenter	
1891	George W. Spencer	Edwin W. Carpenter	†Alexander J. Wetzlar
1892	George W. Spencer	Herbert Folger	James H. De Veuve
1893	Herbert Folger	†Henry K. Belden	Richard C. Medcraft
1894	†Alexander J. Wetzlar	A. G. Dugan	Benjamin J. Smith
1895	A. G. Dugan	Herbert Folger	Edward P. Farnsworth
1896	Frank G. Argall	George W. Dornin	Charles C. Echlin
1897	William Maris	Charles C. Echlin	Herbert Folger
1898	Herbert Folger	Benjamin J. Smith	Frederick B. Kellam
1899	Herbert Folger	H. McD. Spencer	Whitney Palache
1900	Herbert Folger	Frederick B. Kellam	Frank G. Argall
1901	Jacob L. Fuller	Charles B. Hill	Peter F. Gilroy
1902	Jacob L. Fuller	Peter F. Gilroy	Frederick B. Kellam
1903	A. M. Brown	Clinton Folger	D. A. Spencer
1904	W. H. Lowden	Herbert Folger	Benj. J. Smith
1905	W. H. Lowden	Herbert Folger	Benj. J. Smith

†Deceased

CALIFORNIA KNAPSACK.

1879 Charles Mason Kinne, Editor	William Macdonald, Associate Editor
1880 Charles Mason Kinne, Editor	
1881 Charles Mason Kinne, Editor	George F. Grant, Associate Editor
1882 Charles Mason Kinne, Editor	
1883 Charles Mason Kinne, Editor	
1884 Charles Mason Kinne, Editor	
1885 George F. Grant, Editor	
1886 George F. Grant, Editor	
1887 Edwin W. Carpenter, Editor	
1888 †Alexander J. Wetzlar, Editor	
1889 †Alexander J. Wetzlar, Editor	
1890 George F. Grant, Editor	
1891 George F. Grant, Editor	
1892 George F. Grant, Editor	
1893 George F. Grant, Editor	
1894 George F. Grant, Editor	Edward Niles, Associate Editor
1895 George F. Grant, Editor	Edward Niles, Associate Editor
1896 George F. Grant, Editor	Edward Niles, Associate Editor
1897 George F. Grant, Editor	Edward Niles, Associate Editor
1898 George F. Grant, Editor	Edward Niles, Associate Editor
1899 George F. Grant, Editor	Edward Niles, Associate Editor
1900 George F. Grant, Editor	Edward Niles, Associate Editor
1901 George F. Grant, Editor	Edward Niles, Associate Editor
1902 George F. Grant, Editor	Edward Niles, Associate Editor
1903 George F. Grant, Editor	Edward Niles, Associate Editor
1904 George F. Grant, Editor	Edward Niles, Associate Editor
1905 George F. Grant, Editor	Edward Niles, Associate Editor
†Deceased	

DINNER COMMITTEE.

(From first banquet in 1881, George W. Spencer, retiring president, to the present time) :

George W. Spencer

George F. Grant



LIST OF MEMBERS—JANUARY, 1905.

ACTIVE MEMBERS.

- Agnew, F. J., Special Agent, Pennsylvania Fire Ins. Co.
Alverson, W. W., with Continental Ins. Co.
Anderson, C. H., Special Agent, National and Springfield Ins. Co.
Andre, A. A., Independent Adjuster.
Ankele, J. H., Special Agent, North German Fire Insurance Co.
Argall, F. G., Independent Adjuster.
Bailey, A. E., Special Agent, Insurance Company of North America.
Bailey, J. D., General Agent, Insurance Company of North America.
Bailey, A. T., Special Agent Home F. & M. Insurance Company.
Bangs, Franklin, Secretary, Home F. & M. Insurance Company.
Bates, H. L. A., Special Agent, C. J. Stovel's Agency.
Benner, Harry, Special Agent, German-American, Phoenix, New Hampshire and German Alliance Ins. Co's.
Bertheau, C., Manager, Aachen & Munich and Hanover Ins. Co's.
Blanchard, H. P., Special Agent, Fireman's Fund Insurance Co.
Bliss, Walter E., Special Agent, Milwaukee Mechanic Ins. Co.
Boardman, Geo. C., of Boardman & Spencer, Gen. Agts. Ætna Ins. Co.
Boyd, H. C., Assistant Manager, Hamburg-Bremen Insurance Co.
Bromwell, L. L., General Agent, Milwaukee Mechanics Ins. Co.
Broomell, B. B., Special Agent and Adjuster.
Brown, A. M., of E. Brown & Sons, General Agents, American (Pa.), Delaware, Svea, Agricultural and Globe & Rutgers.
Brown, H. H., of E. Brown & Sons.
Brush, R. G., Special Agent, Liverpool & London & Globe Ins. Co.
Burke, H. R., Special Agent, Royal and Queen Insurance Companies.
Butler, Geo. E., General Agent, Providence-Washington Ins. Co.
Campbell, Warren, Special Agent for Manager Conroy's Companies, Los Angeles, Cal.
Chipman, W. F., Special Agent, German-American, Phoenix, New Hampshire and German Alliance Ins. Co's.
Christensen, Chas., of Christensen, Edwards & Goodwin, Managers, American Central, St. Paul, American (N. J.) and Mercantile Ins. Co's.
Chapuis, F. A., Special Agent, Germania Fire Ins. Co.
Cleveland, W. W., Special Agent, Franklin Fire Ins. Co.
Coddling, Geo. C., Special Agent, National and Springfield Ins. Co's.
Colvin, Chas. A., Special Agent, Phenix Ins. Co.

- Conroy, T. J., Manager, Caledonian and Rochester German Ins. Co's.
- Cosgrove, J. E., Special Agent Scottish Union & National Ins. Co.
- Craig, Homer A., General Adjuster, Pennsylvania Fire Ins. Co.
- Crooks, J. C., Special Agent, E. Brown & Sons Agency.
- Crux, Geo. A., Special Agent, Caledonian and Rochester German Insurance Companies.
- Cunningham, Jas. C., Special Agent, American Central, St. Paul, American (N. J.) and Mercantile.
- Danker, H., Assistant Manager, Transatlantic Fire Ins. Co.
- Davenport, Dixwell, Special Agent, Phoenix Assur. Co.
- Deering, Chester, Ass't. Manager, Pennsylvania Fire Ins. Co.
- Delafield, Robt. H.
- De Lappe, R. Special Agent, American (N. J.), American Central, St. Paul and Mercantile Ins. Co's.
- Dennis, Jas. J., Special Agent, Hartford Fire Ins. Co.
- Devlin, Frank J., Manager, Atlas and Manchester Assurance Co's.
- Devine, Geo. E., Special Agent, Hartford Fire Ins. Co.
- Dick, B. C., Independent Adjuster.
- Dickson, Frank W., Manager, Royal Exchange Assurance Co.
- Dornin, Geo. D., Manager, National and Springfield Ins. Co's.
- Dornin, Geo. W., Ass't Mgr., National and Springfield Ins. Co's.
- Dornin, John C., Special Agent, National and Springfield Ins. Co's.
- Driffield, V. Carus, Manager, Transatlantic Fire Insurance Co.
- Dutton, W. J., President, Fireman's Fund Insurance Co.
- Dutton, Grayson, Special Agent, Fireman's Fund Ins. Co.
- Echlin, Chas. C., Special Agent, Home F. & M. Insurance Co.
- Edwards, L. B., of Christensen, Edwards & Goodwin, Managers, American Central, St. Paul, American (N. J.) and Mercantile Ins. Co's.
- Eitel, Edw. E., Special Agent, Home F. & M. Insurance Company.
- Elwell, W. T., Special Agent, Aachen & Munich and Hanover Ins. Co's.
- Fabj, R. P., General Agent, Fireman's Fund Insurance Company.
- Farnsworth, Ed. P., Independent Adjuster.
- Farr, F. H., Special Agent, Royal and Queen Ins. Co's.
- Faymonville, Bernard, Vice-president, Firemen's Fund Insurance Co.
- Field, Alexander, Special Agent, Catton, Bell & Co.
- Fogarty, J. T., Ass't. Manager, Royal and Queen Insurance Co's.

- Folger, Clinton, Manager New Zealand Ins. Co.
Folger, Herbert, Ass't Gen. Agent, German-American, Phoenix, New Hampshire and German Alliance Ins. Co's.
Fores, Harry W., with Scottish Union & National Insurance Co.
Fortmann, W. G., Special Agent, Aachen & Munich and Hanover Ins. Co's.
Foulkes, F. W., Special Agent, Phenix of Brooklyn.
Frank, Wm., of Gutte & Frank, General Agents.
Francis, Guy, Special Agent, Connecticut Fire Insurance Company.
French, John S., Special Agent, Fireman's Fund Ins. Co.
Friend, R. B., Ass't. Gen'l. Ag't., Providence-Washington Ins. Co.
Frith, T. T., Special Agent, London and Niagara Ins. Companies.
Fuller, J. H., Special Agent, Norwich Union Fire Ins. Society.
Fuller, J. L., Ass't Manager, Norwich Union Fire Insurance Society.
Gabrielson, C. D., Special Agent, Home F. & M. Ins. Co.
Gaston, F. W., Special Agent, Scottish Union & Nat. Ins. Co.
Gazzam, W. L., Special Agent, Aetna Ins. Co., Seattle, Wash.
Gerould, P. E., Special Agent, National and Springfield Ins. Co's.
Gibbons, W. H., Special Agent, E. Brown & Sons General Agency.
Giesy, A. W., Special Agent, Nor. Union Fire Ins. Soc'y, Salem, Or.
Gilliland, Adam, Special Agent, Hartford Fire Insurance Company.
Gilroy, P. F., Special Agent, German-American, Phoenix, New Hampshire and German Alliance.
Goodwin, Benjamin, of Christensen, Edwards & Goodwin, Managers American Central, St. Paul, American (N. J.) and Mercantile.
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